FINANCIAL TIMES

Test ban treaty
Why India refused to sign
Page 5

US acquisitions
Risky route for non-US companies
Peter Martin, Page 8

Stem cell therapy
Purification clears the way
Technology, Page 6

Israeli politics
Religious ultras flex their muscles
Page 4

World Business Newspaper http://www.FT.com THURSDAY AUGUST 22 1996

Samsung in talks to buy Fokker Aircraft company

South Korean conglomerate Samsung has re-opened negotiations to buy the Dutch Fokker Aircraft manufacturing company. The talks, due to be concluded within the next two months, may be the last chance for Fokker's manufacturing plant following the collapse of its parent company earlier this year. Page 10 and Lex

PolyGram, the Dutch entertainment group, is expanding its music interests by taking control of one of the UK's largest independent record labels, Go! Discs.

Branson hotel plans questioned: British entrepreneur Richard Branson's plans to develop a £20m ($31.2m) Mediterranean luxury hotel has hit an unexpected problem over planning permission from a Spanish village council. Page 10

US losses cut Volvo profits: Volvo reported a 28 per cent fall in profits to SKr3.86bn ($584m) in the first half of the year after losses in its US truck operations. Page 11

Arco signs $3.5bn oil deal: US oil company Atlantic Richfield signed a $3.5bn agreement with Corpoven, a subsidiary of state-owned Petróleos de Venezuela, to develop an extra-heavy crude oil field in eastern Venezuela. Page 4

Deng turns 92: Chinese leader Deng Xiaoping, who not been sighted in public since early 1994, is 92 today. Rumours about his deteriorating condition have circulated periodically, but his children say he is in reasonable health for his age. Page 5; Lex, Page 10

Emergency fund for Argentine banks: Argentina's central bank is drawing up plans for a $3bn emergency fund to help local banks combat liquidity problems in case the shock that rocked the financial system early last year is repeated. Page 3

Cambodian negotiations stall: Negotiations between the Cambodian government and a breakaway faction of the Khmer Rouge guerrilla group have stalled over a rebel request that a former deputy of Pol Pot be allowed to participate in the country's 1998 national elections. Page 5

CS Holding, Switzerland's second biggest banking group, disappointed the stock market with a 20 per cent rise in its first-half net income to SFr830m ($687.5m). Page 11

Apec agrees to travel 'smart cards': Asia-Pacific Economic Co-operation members agreed to a plan to introduce travel "smart cards" for businessmen, which could in some cases replace visas and speed up passage between the 18 Apec countries. Page 4

Japanese drug company raided: Japanese prosecutors raided the offices of Osaka-based drugs company Green Cross on suspicion of professional negligence in connection with the company's sale of HIV-tainted blood products. Page 5

New cattle feed may save $1bn a year: Finnish group Raisio claims it has discovered a new dairy cattle feed which could cut feed costs by more than $1bn an year if adopted in the European Union. Page 10

Isuzu and Honda rejected claims by a US consumers' group that the Japanese carmakers' sport utility vehicles were liable to roll over and should be recalled. The companies said they would review the group's tests. Page 4

Rwandan refugees flee over border

Rwandan Hutu refugees, forced to leave Burundi, register before boarding trucks to cross the border to Rwanda. Up to 4,000 Rwandan Hutu refugees abandoned their camp in northern Burundi in the biggest movement back to their homeland since they fled in 1994.

FT.com: the FT web site provides online news, comment and analysis at http://www.FT.com

Security chief agrees ceasefire with Chechen rebels ■ Thousands trapped in capital

Lebed tries to stop Grozny attack

By John Thornhill in Moscow

Russian forces were last night poised for an all-out assault on rebel Chechen positions in the regional capital of Grozny today, but pressure was growing on the Russian military to hold their fire.

After talks with the rebels, Mr Alexander Lebed, Russia's national security chief, said last night he had agreed a new ceasefire and would "see to it" that the military went along with it. Appeals to avert bloodshed also came from US President Bill Clinton and other foreign leaders, as well as human rights activists and trapped civilians.

A Russian military ultimatum to Chechen forces to quit the city is due to expire early today. But Mr Lebed said the threat to resume bombing Grozny today was "a bad joke".

At the end of his talks with rebels, he said he was going immediately to army headquarters near Grozny "to see to it that things will be quiet tomorrow". He would resume negotiations with the rebels today on implementing the ceasefire and "separating the warring sides".

But Russia's military leadership appeared split over the use of force, and local commanders yesterday already began stepping up artillery bombardments and air attacks on Grozny.

General Vyacheslav Tikhomirov, who has returned from holiday to take command of Russian forces in Chechnya, indicated earlier yesterday that he would attack Chechen positions today.

However, General Igor Rodionov, the defence minister, rebuked another Russian field commander for issuing the ultimatum to the Chechens in the first place and said he was hopeful the crisis could be resolved peacefully.

With the military decision on a knife-edge, President Boris Yeltsin's health and precise whereabouts remained a mystery, although presidential aides said he would return to the Kremlin today.

The presidential press service said Mr Yeltsin was relaxing in the Valdai region, near Moscow, and continued to deny persistent rumours that he has had a recurrence of heart problems.

Mr Sergei Kovalyev, Russia's leading human rights campaigner, said Mr Yeltsin's decision to take a holiday was "monstrously irresponsible" at such a critical time.

Many Russian parliamentarians expressed alarm about the situation in Chechnya and there were calls for federal forces to pull out of the region.

Mr Boris Gromov, the parliamentary deputy and former general who commanded the Soviet retreat from Afghanistan, urged Mr Yeltsin to withdraw all federal troops from Chechnya and hold democratic elections.

The International Committee of the Red Cross urged the Russian army to extend its ultimatum. It estimates 120,000 civilians remain in Grozny. Another 130,000 have fled the city, causing a severe refugee problem.

President Clinton yesterday wrote to Mr Yeltsin urging him to end the "cycle of violence" which he said was endangering civilian lives.

Moscow's big guns, Page 2

Rival accuses Microsoft in software battle

By Paul Taylor in London and Tom Foremski in San Francisco

Netscape Communications, the California company which pioneered the software for using the Internet's World Wide Web, has asked the US Justice Department to take immediate action against its arch rival Microsoft, which it accuses of "far-reaching anti-competitive behaviour."

The demand comes as Microsoft, the world's largest software company, and Netscape are locked in a fierce battle to decide which company will dominate the market for "browsers" – personal computer software used to retrieve information from the World Wide Web.

Both companies have released new versions of their browser software in the last 10 days. Netscape Navigator is currently the most popular browser, but Microsoft's Internet Explorer 3.0 is beginning to catch up.

Netscape's charges come at a time when its shares have fallen sharply to around $40 from the $75 peak reached shortly after its launch on the Nasdaq stock market a year ago. Many investors fear that Microsoft's strategy could stunt Netscape's growth.

Netscape alleges that Microsoft has made written offers to computer makers, Internet service providers, systems integrators and large corporations offering "clandestine side payments, discounts on the Microsoft desktop operating system [Windows] or payments in the form of 'real estate' [space] on the Windows 95 screen." It claims that such inducements were offered on the condition that the parties involved would "make competitors' browsers far less accessible to users than Microsoft's own browser."

The allegations are contained in an eight-page letter sent to the Justice Department by Mr Gary Reback, an attorney representing Netscape. They mark a sharp escalation in the battle of words between the two companies, and are the latest in a string of allegations of anti-competitive behaviour by Microsoft.

The Justice Department refused to comment on the letter or any possible action it might take. Microsoft yesterday dismissed the Netscape letter, which it said "appears to be full of wild and unsubstantiated statements."

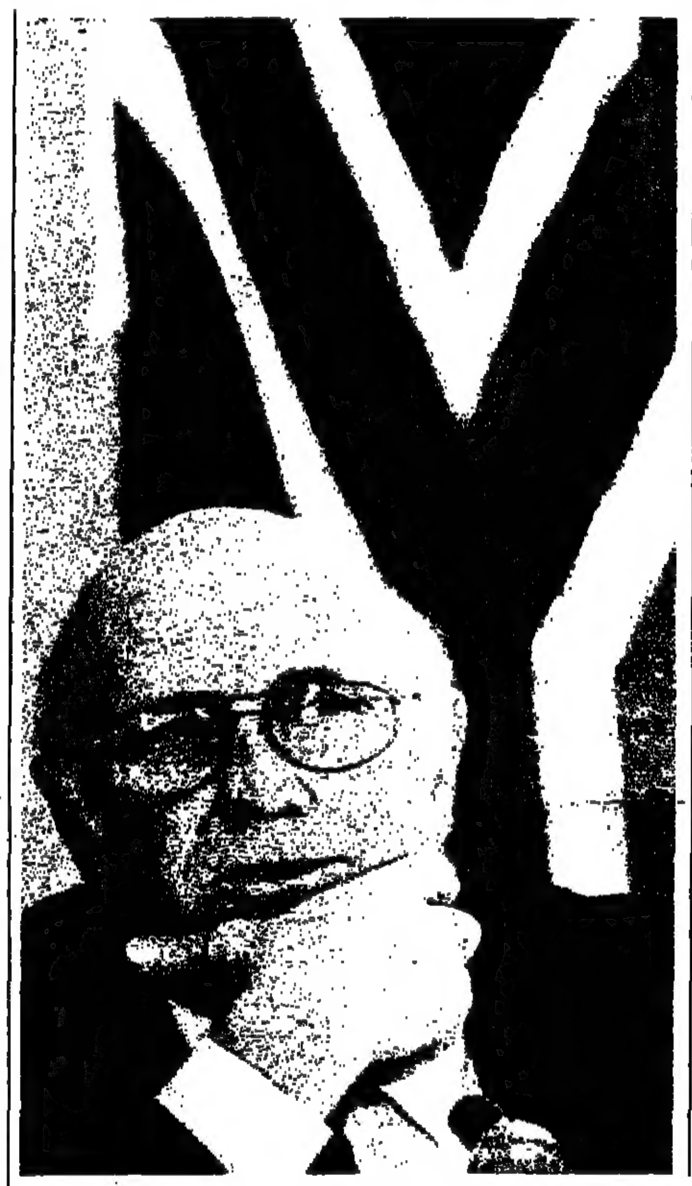
The company added: "It looks to us like a marketing document masquerading as a legal document. Netscape must be feeling the competitive pressure."

Earlier this month, Microsoft alleged that Netscape had made it difficult for users of Internet Explorer to gain access to parts of the Netscape web site, one of the most popular web sites on the Internet.

Two years ago Microsoft settled antitrust charges by agreeing to halt a discounting practice that discouraged PC makers from installing the operating systems of other software makers into their machines.

Mr Reback urged the Justice Department to investigate Microsoft "swiftly."

Lex, Page 10



Former South African president F.W. de Klerk yesterday apologised for human rights abuses committed during the apartheid era while giving evidence to the Truth and Reconciliation Commission in Cape Town. He admitted previous National party leaders were deeply mistaken when they introduced apartheid. Report, Page 4; Editorial Comment, Page 9 Picture: Reuter

Telekom offers free shares lure to shy Germans

By Michael Lindemann in Bonn

Deutsche Telekom, the state-owned telecoms group, yesterday unveiled incentives, including free shares and discounts, in an attempt to attract up to 2m individual investors to its DM15bn ($10.1bn) partial privatisation share offering in November.

The group said the incentives, which include an offer of one free share for every 10 held for three years, were designed to help break down Germans' traditional wariness about equities. Only 5 per cent of German individuals hold shares.

The German government plans to sell a fifth of the company through the issue of new shares.

About 40 per cent of the issue – the biggest ever in Germany – would be allocated to individuals and the remainder to domestic and international institutional investors.

"In our preparations for the share issue, we have deliberately opted for new methods," Mr Joachim Kröske, finance director, said. "The private investor in Germany is the focus of our attention."

In line with other big international share issues, retail investors would be offered a discount of between 1 and 5 per cent on purchases of the shares, which are due to begin trading on November 18.

Mr Kröske said he hoped the country's high street banks would waive some charges for share purchases to ensure the issue was a success.

Dresdner, Germany's second biggest bank, which is managing the issue in Germany, will not charge the usual minimum fee of DM50 for share purchases. Instead, investors buying shares worth DM3,000 will pay 1 per cent or DM30.

The bank has also created a special savings account where investors will receive interest at 5 per cent until the end of this year on deposits of up to DM100,000 on condition that the money is used to purchase Deutsche Telekom shares.

German retail investors and foreign investors who have a bank account in Germany would qualify for the incentives. They must buy between 100 and 300 shares, an investment of between DM3,000 and DM10,000, which implies a price of just over DM30 per share.

If the issue is oversubscribed – as Deutsche Telekom

Continued on Page 18

USAir seeks to challenge BA on transatlantic routes

By Richard Tomkins in New York and William Lewis in London

USAir, the US airline in which British Airways holds a 24.6 per cent stake, yesterday stepped up its campaign to tear up its alliance with BA by applying for permission to fly in direct competition with the British carrier on transatlantic routes to London.

It asked the US Department of Transportation for authority to start four transatlantic services to London's Heathrow airport from Boston, Charlotte, Philadelphia and Pittsburgh – all routes currently served by BA under its code-sharing agreement with USAir.

USAir is seeking the authority following proposals by BA and American Airlines to form a "mega-alliance" that would dominate the market.

"In its current form, the new BA/AA alliance is fundamentally inconsistent with continued development of the British Airways/USAir alliance," USAir's filing said. "USAir is, therefore, determined to pursue an independent course as a vigorous transatlantic competitor."

Three weeks ago, USAir filed suit in a US federal court seeking to terminate its links with BA, saying the partnership had been undermined by BA's proposed alliance with American Airlines. The suit is currently awaiting a response from BA and American.

BA said USAir's applications showed the validity of the BA-AA alliance as "it would increase competition from which the consumer can only benefit".

Sources close to USAir said that Mr Stephen Wolf, USAir's new chairman and chief executive, offered to meet Mr Robert Ayling, BA's chief executive, in an effort to thrash out a solution to their differences. However, Mr Ayling is said to have demanded that USAir's suit be dropped before any discussions take place, a condition USAir has rejected.

If the application is granted, it will present a severe competitive threat to BA on its routes between London and the four US cities.

At present, BA operates two round trips a day from London Heathrow to Boston, two a day from Heathrow to Philadelphia, one a day from London Gatwick to Pittsburgh and one a day from Gatwick to Charlotte.

American Airlines operates two round trips a day from

Continued on Page 10

■ STOCK MARKET INDICES

New York: lunchtime		
Dow Jones Ind Av	5,684.64	(-36.82)
NASDAQ Composite	1,122.16	(-2.51)
Europe and Far East		
CAC40	2,000.64	(-18.62)
DAX	2,543.74	(-16.52)
FT-SE 100	3,872.1	(-11.1)
Nikkei	21,275.02	(+148.01)

■ US LUNCHTIME RATES

Federal Funds	5 1/16%
3-mth Treas Bills: Yld	5.124%
Long Bond	98 9/32
Yield	6.824%

■ OTHER RATES

UK: 3-mo Interbank	5 3/4%	(5 23/32%)
UK: 10 yr Gilt	97 7/32	(98)
France: 10 yr OAT	106.02	(106.45)
Germany: 10 yr Bund	99.23	(99.89)
Japan: 10 yr JGB	99.3276	(99.117)

■ NORTH SEA OIL (Argus)

Brent Dated	$20.74 1/2	(21.295)

■ GOLD

New York: Comex		
(Dec)	$391.8	(392.9)
London:		
close	$387.15	(387.4)

■ DOLLAR

New York: lunchtime		
£	1.55055	
DM	1.48175	
FFr	5.068	
SFr	1.2001	
Y	108.415	
London:		
£	1.5506	(1.5472)
DM	1.4817	(1.4893)
FFr	5.0681	(5.0875)
SFr	1.1993	(1.2083)
Y	108.29	(108.33)
Tokyo close:	Y 108.465	

■ STERLING

DM	2.2975	(2.3043)

Albania	LEK 220	Gibraltar	£0.75	Lithuania	Lts 15.00	Qatar	QR13.00
Austria	Sch37	Greece	Dr400	Lux	LFr75	S.Arabia	SR12
Bahrain	Din1.250	Hong Kong	HK$20	Malta	Lm0.65	Singapore	S$4.30
Belgium	BFr75	Hungary	Ft230	Morocco	MDh16	Slovak Rp	Sk65
Cyprus	C£1.20	Iceland	IKr230	Neth	Fl 4.75	S. Africa	R12.00
Czech Rp	Kc60	India	Rs75	Nigeria	Naira90	Spain	Pta250
Denmark	DKr18	Israel	Shk7.90	Norway	NKr22.00	Sweden	SKr20
Egypt	E£5.00	Italy	L3200	Oman	OR1.50	Switz	SFr3.70
Estonia	EKr 22	Japan	Y500	Pakistan	Rs40	Syria	S£85.00
Finland	FM15.50	Jordan	JD1.50	Poland	Zl 5.50	Tunisia	Din1.750
France	FFr12.00	Kuwait	Fils.650	Portugal (m'land)	Es240	Turkey	L90,000
Germany	DM4.00	Lebanon	LL3,000			UAE	Dh12.00

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CONTENTS

LONDON · LEEDS · PARIS · FRANKFURT · STOCKHOLM · MADRID · NEW YORK · LOS ANGELES · TOKYO · HONG KONG

NEWS: EUROPE

Costas Simitis, pictured at his swearing-in last January, is under pressure to capitalise on his popularity *Reuter*

Simitis set to call early Greek poll

By Kerin Hope in Athens

Greece's Socialist prime minister, Mr Costas Simitis, is expected today or tomorrow to call an early general election, against a background of communal tension in Cyprus and mounting problems over the preparation of next year's budget.

The Athens stock market jumped 2.3 per cent this week on news that an election was imminent – Mr Simitis is expected to set a date in late September. Analysts said a snap poll would clear the way for structural reforms, including radical spending cuts which the Socialists accept in principle but have been reluctant to implement.

The governing Panhellenic Socialist Movement's term does not run out until autumn next year, but the prime minister has been under pressure to make the most of his unusually high approval rating – more than 70 per cent last month – to call an early election.

The conservative New Democracy party is in such disarray that prominent Greek businessmen say they are ready to break ranks and vote for Pasok. New Democracy's leader, Mr Miltiades Evert, lags far behind Mr Simitis in the opinion polls and appears less popular with conservative voters than half-a-dozen other personalities in his party.

However, opinion polls have shown a majority against an early early election and Mr Simitis's priority since taking over the Pasok leadership in June has been to restructure the party to reflect his social democrat policies, while sidelining supporters of his defeated rivals for the party leadership.

The prime minister changed his mind after last week's clashes in Cyprus, in which two Greek Cypriot demonstrators were killed, one by a member of a Turkish nationalist group. The violent flare-up underlined Greece's difficulties in constructing a better relationship with Turkey.

"There were sound arguments from the finance and economy ministries for having the election now," said a Socialist official. "But the Cyprus affair tipped the balance. A strong new mandate would help in what's obviously going to be a rough ride with the Turks."

Mr Simitis has to contend with Greek nationalist feelings that cut across party boundaries. He was sharply criticised by Pasok's hardline faction in January for accepting US mediation in a confrontation with Turkey over two islets in the eastern Aegean.

The incident spawned a new and potentially explosive dispute with Turkey concerning sovereignty over dozens of small Aegean islands which had been considered Greek since the break-up of the Ottoman Empire.

On the economic front, meeting next year's budget targets will be crucial to Greece's chances of joining the proposed single European currency at the end of the decade. Growth is projected to exceed 2.5 per cent of gross domestic product this year, led by substantial private-sector investment.

But inflation, at 8.6 per cent last month against a year-end target of 7.5 per cent, remains stubbornly high. Interest rates on government debt are coming down more slowly than forecast, making it harder to reach this year's target of cutting the general government deficit to 7.4 per cent of gross domestic product.

Next year it will be necessary to cut inflation to 5 per cent and the deficit to 4.2 per cent of GDP. This can only be done through determined efforts to reduce spending, which is likely to provoke strong opposition from Greece's powerful public-sector unions.

Mr Yannos Papantoniou, economy minister, wants to pass legislation to abolish outdated public-sector organisations, cap local government spending and ensure only one new civil servant is hired for every three who retire. It would take a new government, his advisers claim, to push through such measures.

Richard Branson's designs on a Majorcan village have run into trouble, writes **David White**

Banyalbufar defends its Virgin territory

The mouse meets the lion. Banyalbufar, a quiet, unspoilt village of 500 people, has come face to face with the £2bn-a-year Virgin business empire of Mr Richard Branson.

Mr Branson's name is on everybody's lips in the village, where his plans for an ultra-exclusive, £400-a-night hotel are viewed with a mix of excitement and jitters.

On its steeply terraced mountainside overlooking the Mediterranean, Banyalbufar currently boasts three small hotels and one policeman. In winter the population shrinks to 200. The residents, whose ancestors faced the constant danger of pirate attacks – they built watchtowers and made their homes safely back from the seafront – are equally wary of the buccaneering Mr Branson.

To provide a setting for his dream, Mr Branson has bought three miles of coast to the east of the village. The Son Bunyola estate, with its secluded, disused manor house, covers some 600 acres, but local authorities say an adjacent plot bought by Branson companies brings the total to nearer 900 acres, between a fifth and a quarter of the total area of the borough.

Prospects for the Virgin planners changed last summer when voters ejected the conservative Popular party from the majority in the seven-member council. In came a party called Independents per Banyalbufar – Majorcan-nationalist, leftwing and ecology-minded.

Mayor Antoni Mora, who runs a bar curiously called Cas Batle Negre (the local Catalan for House of the Black Mayor) does not object to the hotel, although he says he has received only a preliminary study from Virgin.

"It's good. We like it. It's an important investment that can change the way of life of people in the village, especially young people." It promises dozens of jobs.

But neither he nor, apparently, most of the villagers, already uneasy at the growing number of German property-owners, are happy about new houses being built in the woods of the estate. Majorcans can be pretty astute when it comes to business, and they question Virgin's argument that the viability of the hotel really hangs on the houses.

If it is a bluff, the council seems ready to call it. It is keen to set the pace for other parts of the island that have survived the construction boom brought about by mass tourism and are intent on preserving what is left.

With 7m visitors a year, 10 times their own population, Majorca and the other Balearic Islands depend more on tourism than any other region of Spain. Tourism generates some 58 per cent of their gross domestic product, and has made them (in per capita income) the richest part of the country.

Virgin is plotting further inroads into this business through Virgin Express, a recently-acquired Brussels-based airline due to start scheduled services next month to Madrid from Rome and Copenhagen. It made its first move into the select end of the Majorca hotel trade 12 years ago, converting two ruined buildings into the 63-room La Residencia in Deià. "It is full up all the time," says Mr Branson.

In buying Son Bunyola, he apparently just pipped Ms Mouna al-Ayoub, ex-wife of Saudi magnate Mr Nassir al-Rashid, who wanted it for a home. Earlier, he is reported to have tried for another property in the region, only to be beaten to it by the actor Michael Douglas.

Mr Branson has had false starts and setbacks before, including his bids for television licences and the UK national lottery. But he is still "reasonably hopeful" about winning planning permission. "Obviously, we wouldn't want to do anything that would spoil the beauty of it."

EUROPEAN NEWS DIGEST

Skies brighten over Germany

Business confidence in west Germany increased more than expected in July, according to the monthly index of the Ifo economic research institute. While some economists said this could weaken the chances of an interest rate cut by the Bundesbank when its central council meets today, expectations for a reduction remained strong.

The Ifo business sentiment index rose to 94.1 in July from 90.4 in June, still leaving it lower than in November. Mr Thomas Mayer, economist at Goldman Sachs, said the index's fluctuations could reflect "a roller-coaster of expectations" by companies confused about the course of the economy.

He said that a cut in the securities repurchase (repo) rate by the Bundesbank would be logical. To take no action would disappoint markets and put the French franc under pressure. Mr John Watson, bond analyst at WestLB Research, expected the bank to ignore the Ifo index and cut rates after the slowdown in M3 growth for July. *Andrew Fisher, Frankfurt*

Romanian cabinet reshuffled

The Romanian government said yesterday it had accepted the resignation of two ministers and there might be further cabinet changes before this autumn's elections.

It said Mr Iulian Mincu, health minister and once doctor to deposed dictator Nicolae Ceausescu, and Mr Viorel Margineau, the culture minister and a prominent Communist era painter, had resigned for personal reasons. The governing Party of Social Democracy is due to discuss their replacements today.

The cabinet reshuffle, the fifth since the party formed a minority government backed by nationalists and neo-Communists in late 1992, had been widely expected. Opinion polls suggest the party, the core of the group of former Communists that has held power since December 1989, may lose the parliamentary elections due on November 3 to centrist opposition groups. However, its presidential candidate, Mr Ion Iliescu, the incumbent, is likely to be re-elected for a third term.

The party has come under increasing attack for fostering corruption and for failing to improve living standards during the country's difficult transition to a market economy. *Virginia Marsh, Bucharest*

European PC sales slow

The marked slowdown in European personal computer sales continued in the second quarter, according to Dataquest, the market research company. PC sales in Europe grew by just 6.8 per cent to 3.55m in the second quarter, compared with 3.33m a year earlier. Sales peaked at 4.78m in the fourth quarter of 1995, but fell to 3.98m in the first quarter of this year.

Sweden, Switzerland and Portugal all saw year-on-year sales declines, while they were flat at 810,000 units in Germany, Europe's biggest PC market. Year-on-year growth topped 25 per cent in Belgium, Finland and Ireland and remained a relatively healthy 13.2 per cent in Britain, where sales reached 727,000.

Compaq Computer, with a 12.3 per cent market share, remains Europe's leading vendor, although it has slipped from 13.8 per cent a year ago. *Paul Taylor, London*

Poland to upgrade rail link

Poland is to invest Ecu487m ($618m) to modernise its main railway line to west Europe, the 478km stretch from Warsaw through Poznan to Kunowice on the German border. Travelling time between Warsaw and Berlin will be reduced by 80 minutes (about a 10 per cent cut) when the project is completed by the end of 1997 as part of the Trans-European Network.

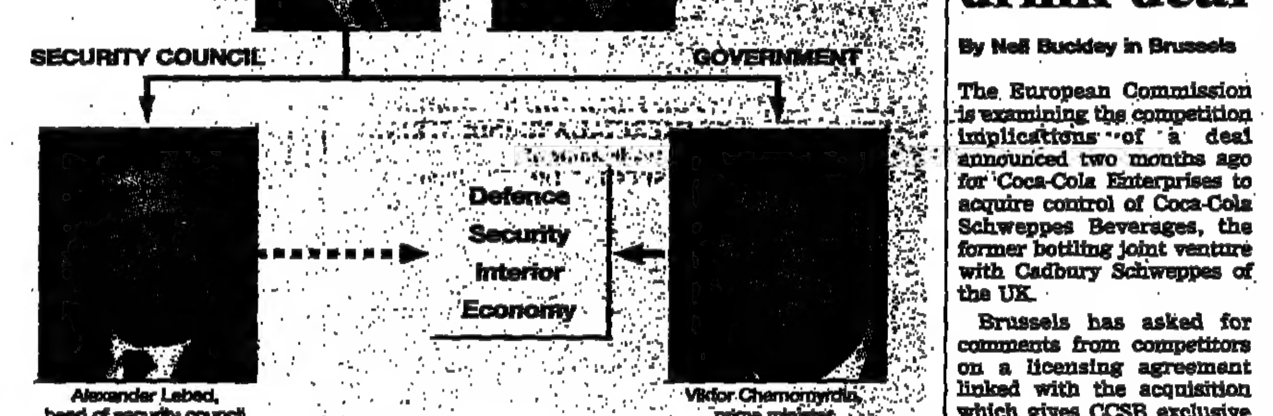
The project is to be financed by the European Investment Bank (Ecu200m), the European Union's Phare assistance programme for central Europe (Ecu30m) and the European Bank for Reconstruction and Development (Ecu50m). The Polish government and Polish state railways (PKP) will contribute Ecu207m.

The modernisation programme, which will be carried out by PKP, will include the purchase of track maintenance and safety equipment as well as track switches and the renewal of signalling and power supply systems. *Kevin Done, East Europe Correspondent, London*

■ The British army will stage military manoeuvres in Poland next month. They will be the biggest held by foreign troops in the former Warsaw Pact country since the end of the cold war, and they are taking place there because it is cheaper than Canada, where the British army usually holds such exercises. They will boost the income of Poland's armed forces, which are pressing for funds to modernise equipment as the country presses for Nato membership. *Christopher Bobinski, Warsaw*

Moscow's big guns battle on Chechnya

John Thornhill on the struggle for power in the Kremlin



The political thrillers hawked on every other Moscow street corner seem tame compared with real life in Russia.

Surrounded by shadowy advisers, the ailing president of a former nuclear superpower disappears from public view and issues orders which his subordinates question. Ambitious rivals wage a bitter struggle to succeed him, toying with thousands of lives. Army commanders threaten to unleash further carnage in the border region of Chechnya unless a last-minute peace deal can be struck.

Mrs Yelena Bonner, widow of Mr Andrei Sakharov, the dissident conscience of Russia, this week expressed the anxiety of millions about how this scenario would play out.

"It seems Boris Yeltsin is unable and does not want to stop the monstrous crime which is being prepared," she said of the Russian threat to unleash a full-scale assault on the Chechen capital, Grozny, today.

The one Russian leader who has sounded determined to stop the military madness in Chechnya is Mr Alexander Lebed, the national security advisor, who has been given wide powers as the presidential plenipotentiary in the region. He has seen the horrors of war in Afghanistan, and has spoken forcefully about the need to stop comparable suffering in Chechnya.

But his motivation is not just humanitarian. As a vocal patriot responsible for Russia's national security interests, he cannot view the erosion of Russia's military prestige with anything other than alarm.

Mr Lebed has presented his attempts to bring peace to Chechnya as an honest man's struggle against an evil clique within the Kremlin and has doled out criticisms of all and sundry. On Tuesday, he even questioned the authenticity of a presidential decree calling for a restoration of constitutional order in Chechnya – regarded as shorthand for a military crackdown.

Last week, Mr Lebed attacked General Anatoly Kulikov, the interior minister, saying he was responsible for allowing the Chechen separatists to infiltrate Grozny, and demanded he be sacked.

Mr Lebed has also tilted against Mr Victor Chernomyrdin, the prime minister, and succeeded in having his state commission for regulating the Chechen conflict shut down.

In turn, Mr Chernomyrdin, who would temporarily succeed Mr Yeltsin in the event of the president's death, has tried to cut Mr Lebed down to size. He appears to have a powerful ally in Mr Anatoly Chubais, head of the presidential administration, who has been labelled Russia's "regent" in Mr Yeltsin's long absences.

So far, the Russian media have backed Mr Lebed as the one Russian leader who has been brave enough to tell the truth about the Chechen war and take energetic steps to resolve it. At times, he appears as a modern version of the Boris Yeltsin who rattled fellow politburo members in the 1980s by exposing Soviet failings.

But yesterday Mr Emil Pain, a former liberal presidential adviser and eloquent advocate of a peaceful resolution to the Chechen conflict, cast doubt on Mr Lebed's motivation, suggesting he was playing a double game.

He argued that Mr Lebed already had all necessary powers to resolve the conflict and could issue orders on all matters connected with Chechnya. "If his orders are not fulfilled this becomes a criminal offence," he said.

Mr Pain doubted whether the Russian army commanders in Chechnya could therefore be regarded as "rogue" generals. It certainly seems odd that Mr Lebed should be so out of line with General Vyacheslav Tikhomirov, the head of Russian forces in Chechnya, who launched an assault on the Chechens immediately after the presidential elections. The general was formerly chief of staff of the 14th army in Moldova which Mr Lebed headed.

Mr Pain may be an embittered man (the state commission he worked for was sunk by Mr Lebed) but he raises real questions about the extent to which the national security adviser is trying to exploit the crisis to strengthen his political hand in the presidential succession battle.

Mr Lebed is now supervising the defence, interior and security services, though they remain a government responsibility, and seems intent on expanding his domain.

The former general has freely expressed his ambition to succeed Mr Yeltsin. He is also becoming more brazen in his attacks on Mr Chernomyrdin, his most likely rival in any such presidential fight.

This week, he found time to appoint Mr Sergei Glazyev to his team as a national security adviser with a brief to scrutinise the government's economic policies. This is seen as an attempt to intervene in another area of government.

Mr Glazyev, a former foreign trade minister, was quick to condemn Mr Chernomyrdin's economic policies. He even called for the renationalisation of Gazprom, the gas monopoly which was Mr Chernomyrdin's former fiefdom.

In the past, Mr Yeltsin has encouraged such personal rivalries and political tensions within his administration in order to ensure that no one clan assumes excessive power.

The question now is whether Mr Yeltsin remains strong enough to keep Mr Lebed's personal ambitions aligned with his administration's broader interests, or whether they may lead to its unravelling.

The rebel republic is caught in the crossfire as ambitious rivals compete to fill the vacuum left by the absence of an ailing president

Brussels to probe UK soft drink deal

By Neil Buckley in Brussels

The European Commission is examining the competition implications of a deal announced two months ago for Coca-Cola Enterprises to acquire control of Coca-Cola Schweppes Beverages, the former bottling joint venture with Cadbury Schweppes of the UK.

Brussels has asked for comments from competitors on a licensing agreement linked with the acquisition which gives CCSB exclusive rights for 15 years to make and sell Cadbury Schweppes soft drink brands in the UK. These include Schweppes Tonic, Canada Dry, Oasis and Dr Pepper.

It is also seeking comments on the deal itself under European Union merger regulations. Competitors have 10 days to respond, after which the Commission will decide whether to launch a further inquiry.

CCSB was owned 49 per cent by the Coca-Cola Company and 51 per cent by Cadbury Schweppes, the UK confectionery and soft drink maker.

Cadbury Schweppes's stake was sold for £622.5m ($963m) in June to Coca-Cola Enterprises, in which the Coca-Cola Company has a 44 per cent stake.

Coca-Cola in the US has devolved most of its production to Coca-Cola Enterprises, leaving the parent group to concentrate on the role of brand manager, marketer and franchiser, and is now adopting a similar strategy elsewhere. Coca-Cola Enterprises has spent $3bn recently buying bottling groups.

The Commission said the drinks licensing deal could fall within the scope of EU competition rules preventing the build-up of dominant market positions.

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Kiev promises support for troubled Ukrainian bank

By Matthew Kaminski in Kiev

The Ukrainian government is planning to rescue the country's third largest bank, whose recent troubles have sent a tremor through the fledgling financial system.

Mr Anatoly Stepanenko, director of banking supervision at the central bank, said yesterday in an interview that Gradobank, which has been on the brink of bankruptcy since a run on deposits in late March, will receive "government support" for bad loans and a possible credit injection.

This response to the crisis at Gradobank will disappoint some officials who had argued that Ukraine's thinly capitalised banking system would benefit from consolidation. Local capital continues to shun the banks, whose total assets are a mere $9bn.

All but two banks in Ukraine have been privatised, but analysts say cross-shareholding and intimate ties to a government which continues to account for the bulk of economic activity complicates banking supervision.

Gradobank says it needs 2,000bn karbovanets ($11m) to cover outstanding debts. Mr Victor Zherditsky, its president, blames "political provocateurs" for his recent problems. According to Mr Stepanenko: "The question of liquidating the bank or changing its leadership had not been raised for both political and economic reasons."

Like other banks in the former Soviet Union, Gradobank grew quickly on the back of economic instability, as high inflation hid bad loans and a spiralling currency made speculation lucrative.

Its problems have been evident for some time since the bank missed several inter-bank payments. Then, last March, a court awarded the Antarktika fishery $7m in damages for Gradobank's failure to approve a $5m loan. The ruling was later overturned, but not before $2.2m had been drawn on Gradobank's account and a panic had ensued.

"It could not outrun its problems when inflation fell" from double figures a month last year to 0.1 per cent in July, says one analyst.

Commercial bankers, who are the most vocal pro-market reform lobby in Ukraine, say growth has been stunted by a large and bankrupt public sector, liquidity problems caused by government pressure for money to pay state wages, and low public confidence.

Many banks had also started small. "I saw a dollar bill for the first time five years ago," says Mr Leonid Chernovitsky, president of Pravex Bank, which was initially capitalised at just $50,000.

He sees a shake-out as inevitable.

Bankruptcies would not hit the economy especially hard, in the view of Mr Oleksander Sugoniako, president of the Association of Ukrainian Banks. He estimates that the 70 troubled banks account for only 10 per cent of all capital in the 219-bank sector.

In his interview, Mr Stepanenko said the central bank was not afraid to close banks and had toughened up its supervisory regime.

Only seven new banks had been registered in the past 18 months, as higher statutory capital requirements were being implemented. Another 32 banks had been closed, he added, and 15 smaller institutions were being reorganised to meet the Ecu1m ($1.3m) minimum capital requirement.

NEWS: THE AMERICAS

Clinton points to policy successes

By Jurek Martin in Washington

President Bill Clinton is this week giving the country a fair foretaste of what it can expect from next week's Democratic convention in Chicago by emphasising legislative achievements and policy proposals.

Yesterday he signed into law the new medical insurance bill making coverage more portable from job-to-job and guaranteeing continued coverage of existing medical conditions. On Tuesday he put his signature on the bill increasing the minimum wage, and today he will do the same for the controversial welfare reform bill over the objections of liberal Democrats.

Next week, he is expected to unveil policy initiatives dealing with crime, education and the environment. Though he will resist the demands of Mr Bob Dole, the Republican nominee, for across-the-board tax cuts, some officials have been hinting that he may propose targeted tax breaks for businesses that hire welfare recipients.

Mr Clinton only arrives in Chicago on Wednesday after a three-day mid-western train trip, starting in West Virginia, in the course of which, according to the White House, other "substantive" policy announcements will be made.

The purpose is to contrast with last week's Republican convention in San Diego which was conspicuous for a harmony some felt was rigidly imposed. "There will be some news," Mr Mike McCurry, the president's press spokesman said sarcastically. Mrs Hillary Clinton will also be given a significant speaking role, as Mrs Liddy Dole was last week.

The only obvious controversy ahead of Chicago concerns welfare reform.

In seeking to "make news", the president will be looking for some bounce back in the polls in the wake of the improved standing of Mr Dole. But there was further evidence yesterday that the Dole recovery might be fading a little.

An ABC poll, taken on Sunday and Monday, had Mr Clinton's lead back up to 12 points in a three-way race that included Mr Ross Perot of the Reform Party, compared to only four points in one conducted last Thursday and Sunday.

It gave the president 49 per cent, Mr Dole 37 per cent and Mr Perot 10 per cent. A New York Times/CBS poll, which put Mr Clinton 11 points up, had also found movement away from Mr Dole.

Mr McCurry's partisan interpretation was that "the rubber band stretched and snapped back over the weekend and we're back to being about where we thought it was – a double-digit race".

But the Republican nominee could take heart from a new Field poll in California where the president's lead had been cut in half to 10 points (45-35 per cent) from its July level.

The US Federal Communications Commission has given television networks permission to offer the main presidential candidates free air time during November's election, Reuter reports from Washington.

The agency ruling means that Rupert Murdoch's Fox Network, ABC, and the Public Broadcasting Service can provide free time to "major" candidates, without giving minor or fringe candidates the same opportunity.

Bitter row over Haitian reforms

Preval to push on with privatisation plans reports **Canute James**

Haiti's debate over privatisation has become so bitter that the president has claimed that a recent armed assault on the parliament building and the murders of two opposition politicians were intended to dissuade legislators from approving his proposals.

President Rene Préval said the attacks were carried out by disgruntled former soldiers hired by "opponents of democracy and privatisation".

The president is seeking approval for his economic reform programme by the end of next month or faces renegotiation of the country's agreement with its creditors.

Approval of the economic programme, would give Haiti – one of the poorest countries in the world – access to $225m for this year's and next year's budget, and up to $1.2bn during three years from international financial institutions and friendly governments.

After protracted debate, the Senate has approved the privatisation of several major state enterprises. But the proposals to sell-off a cement plant, flour mill, electricity, water and telephone companies, ports, and airports reforms, will face stiffer opposition when the lower house starts debating them soon.

Some Haitian legislators, reflecting popular sentiment, have described the proposals as "anti-national and anti-popular." One said they were intended to "enrich the rich and impoverish the poor and could lead to civil war". But opposition to privatisation is also based on the wide use of state-owned companies for dispensing patronage and providing opportunities for corruption.

Equally controversial are proposals for cutting 15 per cent of the 45,000 civil service jobs in an economy in which unemployment is conservatively put at 60 per cent. Wages in the public service will be frozen for three years.

Foreign businessmen who fled when the United Nations economic embargo was imposed against the military regime in 1991 are reluctant to return until the government has settled its economic policy. And without the funds, the government cannot present a budget, state employees cannot be paid, and ambitious plans for repairing the economic damage of the last four years – in which the economy contracted by 30 per cent – will be hamstrung.

An aide to the president says: "Each day's delay sets us back a month."

Preval: uncompromising in his determination

Mr Jean-Bertrand Aristide – the populist president who was overthrown by the army but reinstated after US intervention in 1994 – committed himself to the package when it was announced last year by the then prime minister Mr Smarck Michel. However, Mr Aristide obstructed the package until be handed over to Mr Preval in February, leading Mr Michel to resign. The only completed reforms were a reduction in the tariffs on imports and a liberalisation of the exchange and interest rates. Mr Aristide claimed: "Privatisation has never improved the lot of people in any country."

Mr Preval was widely regarded as his predecessor's ideological clone. But he has so far proved uncompromising in his determination to implement the reforms.

"People are uneasy about change, but the country is not doing any better, so we must try to advance another way. No investor is going to come to Haiti if he cannot use a facsimile machine, or if he will have no electricity."

But in an attempt to make the programme more palatable to the legislators and to Haitians generally, Mr Preval has obtained some modifications to the original plans. None of the companies will be wholly sold to private investors, foreign or local. A mix of management contracts and joint ventures will allow the administration to return a maximum of 30 per cent stake in the enterprises. The government is proposing "privatisation by capitalisation," with investors not paying for their stake but instead investing in the enterprise. Mr Preval argues that this will increase efficiency and avoid monopolistic behaviour.

Approval will not only bring money which Mr Preval wants, but will ease US concerns about a breakdown in Haiti's efforts at political and economic reforms. A few weeks before his attempt at re-election, President Bill Clinton can ill afford a collapse of what the US administration regards as one of its foreign policy successes with the re-establishment of civil government in Haiti.

AMERICAN NEWS DIGEST

Bill may extend Fujimori's term

A congressional committee in Peru has approved a draft bill that would allow President Alberto Fujimori to be re-elected for a third consecutive term, leading to an outcry by opposition politicians. "We are witnessing a coup d'état. The country has to realise that Peru went through a similar situation in the 1930s," said centrist Popular Action congressman Mr Javier Alva Orlandini.

The bill was approved on Tuesday by nine votes to six. It is due to be debated today in parliament where pro-Fujimori deputies have enough votes to push it through. The president, who took power in 1990, changed the constitution to make it legal to serve a second term in 1995. If the bill is approved he will be able to be re-elected for a third consecutive five-year term in the year 2000. *AFP, Lima*

EU to appeal over sanctions

The European Union said yesterday it would appeal to the World Trade Organisation if the US punished European companies doing business with Iran and Libya.

A bill, recently signed into law by President Bill Clinton, allows sanctions on companies making new investments of over $40m in oil or gas projects in Iran or Libya, which Washington calls the world's leading state sponsors of terrorism.

"The EU does not believe that this legislation is an appropriate or an effective means of combatting international terrorism," said a statement issued by Ireland, which currently holds the EU's six-month rotating presidency.

The EU has already threatened to retaliate against the Helms-Burton Act, which gives US citizens the right to sue foreign companies operating in Cuba over assets expropriated by President Fidel Castro's government.

Mexico yesterday formally protested against the "unacceptable" US threat under the Helms-Burton Act to bar from the US top executives of Grupo Domos, if the Mexican telecoms company does not "divest" from Cuba within 45 days. Mexican business is pressuring the government to give Mexican companies the right to file a counter-suit in Mexico if they are hit by US legal action.

Grupo Domos, which owns 37 per cent of the Cuban national telephone company, vowed to maintain its business ties and denied it owned any confiscated property. *Reuter, Dublin and Mexico City*

Ecuador suspends oil group

Ecuador has suspended the operations of Maxus Energy, an American oil company, and is threatening to expel the company unless it changes its contract and agrees to give some of its oil to Ecuador. "The service contract is finished. Either Maxus enters into a participation contract or it simply leaves the country," Mr Alfredo Adum, energy minister, said. He said he had given orders for the armed forces to occupy Maxus Energy's oil camps to ensure that it did not extract any more oil.

Mr Adum said Maxus had refused to replace its old contract with a new one that would allow Ecuador to get some of the 34,000 of barrels of oil a day retrieved by the company. The current contract requires Maxus to pay the government a percentage of its profits from oil exports. "Maxus has taken away 50m barrels of petroleum and not given a single barrel to Ecuador," Mr Adum said. He said Maxus was the only oil company operating in Ecuador that did not provide a portion of its production to the government. *AP, Quito*

Canadian Press reprieved

Canadian newspapers yesterday withdrew their threat to pull out of The Canadian Press at the end of year, giving the 79-year-old national news agency time to restructure. CP's board of directors also announced that company president Mr David Jolley had resigned, with immediate effect, after seven months on the job because of "differences of opinion" with the board.

The wire service, which supplies 88 daily newspapers as well as most Canadian radio and TV stations, was pitched into crisis in June when the Southam group, which provides CP with nearly one-third of its revenue from newspapers, said it was pulling its 18 daily newspapers out at the end of December and beefing up its own news service, Southam News.

CP's other member newspapers were forced to serve similar withdrawal notices rather than be left liable for all the common expenses as of January 1. All the newspapers, which have been squeezed rising newsprint prices and a falling off of advertising, have rescinded their threats to withdraw but have demanded that CP be restructured to cut the $20m in annual fees they pay for its services.

Mr Jim Poling, the company's vice president for editorial matters, will assume Mr Jolley's responsibilities temporarily. Mr Michael Sifton, chairman of Sterling Newspapers, part of Mr Conrad Black's Hollinger media group, which effectively controls Southam, becomes chairman of the CP board. *AP, Toronto*

Argentine plan aims to protect banks' liquidity

By David Pilling in Buenos Aires

Argentina's central bank is drawing up plans for a $3bn emergency fund to help local banks combat liquidity problems should the external shock that rocked the financial system early last year be repeated.

The central bank is considering 13 bids received from international banks earlier this week for standby facilities worth a total of $6.3bn. Assuming the central bank limits the emergency fund to $3bn, it would pay an interest rate of Libor plus 2.08 per cent if the pledged cash had to be drawn down. Local banks with liquidity difficulties would be able to access those funds by offering security holdings to the central bank as collateral.

The idea of the fund arose after last year's financial crisis when $8bn, or 18 per cent of total bank deposits, fled the Argentine system, sending several banks to the brink of collapse. After a wave of mergers and acquisitions only 130 of the 168 banks before the crisis are still in business.

Mr Pedro Pou, president of the central bank, emphasised that Argentina did not expect to face another shock of the magnitude of the Tequila effect after Mexico's devaluation of December 1994. However, by taking precautions to cushion the impact of such an event, the country would improve its international credit rating.

Commission due to international banks on $3bn would be an annual 0.2667 per cent, or $8m, to be paid whether or not the standby loans were drawn down. This commission would be paid by local banks that wanted to participate in the scheme. The central bank will guarantee them access to loans should the need arise.

Mr Pou compared the scheme to medical insurance. It would not be obligatory, but non-participating banks that fell ill during times of crises would have to pay the full cost of treatment. Interbank lending rates skyrocketed after Mexico's devaluation and many banks were unable to secure funds to pay panicked depositors.

Chase Manhattan led the auction's bidders, offering to make $1.5bn available, and France's Société Génerale pledged $1bn. Other banks making bids were Citibank, CS First Boston, ING, Lehman Brothers, Merrill Lynch, Morgan, Santander, Salomon Brothers, Swiss Bank and UBS.

ETBA FINANCE

FINANCIAL AND ECONOMIC SERVICES S.A.

(formerly GREEK EXPORTS S.A.)

ANNOUNCEMENT OF A PUBLIC AUCTION FOR THE HIGHEST BIDDER FOR THE SALE OF THE ASSETS OF THE "COMMERCIAL AND INDUSTRIAL PLASTIC PRODUCTS S.A." with the trade name of "ASPA PLAST HELLAS" PRESENTLY UNDER SPECIAL LIQUIDATION

ETBA FINANCE Financial & Economic Services S.A., established in Athens at 1 Eratosthenous & Vas. Constantinou Streets, in its capacity as special liquidator of the above company, presently under special liquidation as per article 46a of Law 1892/1990, and in accordance with Decision No 450/1996 of the Piraeus Court of Appeal.

ANNOUNCES

an international public auction for the highest bidder with sealed, binding offers for the sale of the total assets of the "COMMERCIAL AND INDUSTRIAL PLASTIC PRODUCTS S.A." with the trade name of "ASPA PLAST HELLAS"

ACTIVITY AND SUMMARY DESCRIPTION OF THE COMPANY

The company under special liquidation has a factory which produces PVC profiles and plastic frames. It is situation in the Lamia industrial zone on a plot 34,000 m2 in area. The factory building occupies a surface area of 7,784 m2 while the offices extend over 1,338 m2. The building housing the factory and offices has been built with prefabricated sections of reinforced concrete and has been fitted with plastic frames and an industrial floor in the factory, while the office floors are of marble or covered by fitted carpets. The area surrounding the building is landscaped, with driveways; and is walled around. There is also a water-tank. A detailed description of the foregoing and the mechanical and other equipment is contained in the Offering Memorandum to which you are referred.

TERMS OF THE ANNOUNCEMENT

1. The present Auction shall be carried out in accordance with the provisions of article 46a of Law 1892/1990 as complemented by article 14 of Law 2000/1991 as in force today, the terms contained in the present Announcement and the terms contained in the relative Offering Memorandum regardless of whether or not they are repeated in the present Announcement. The submission of a binding offer implies acceptance of these terms.
2. Each interested party is invited to receive from the Liquidator the detailed Offering Memorandum and ask for any other information concerning the company under liquidation following a written promise of confidentiality.
3. Interested parties are invited to submit a sealed, written and binding offer to the Athens notary public assigned to the auction, Mrs. Alexandra Mergianou-Nicolaidi at 69 Panepistimiou Street, 7th Floor, tel. (301) 322.2090 up to 12:00 noon on Thursday, 12 September 1996. Offers must be submitted in person or by a legally authorised representative. Offers submitted beyond the specified time limit will not be accepted or considered. Offers must not contain terms upon which their bindingness may depend or which may be vague with respect to the amount and manner of payment of the offered price or to any other essential matter concerning the sale.
4. On penalty of invalidity, offers must be accompanied by a letter of guarantee from a first class bank legally operating in Greece, valid until adjudication for low bidders and up to the signature of the sale contract for the highest bidder, to the amount of one hundred million (100,000,000) drachmas.
5. The offers will be unsealed by the above mentioned notary in her office at 14:00 hours on Thursday, 12 September 1996 and all persons having submitted offers within the specified time limit are entitled to attend.
6. Offers must clearly specify the offered amount and manner and time of payment (cash or on credit, interest to be charged or not, the interest rate, the number of instalments and when they fall due etc. If mention is not made: a) of the manner of payment of the cash portion, b) whether interest will be paid on the balance on credit, c) the interest rate, then it will be assumed that: a) the price will be paid in cash, b) interest will be charged on the balance on credit, c) the interest rate will be that which is in force at the time the offer is submitted for Greek State bonds of one year's duration.
7. The submission of an offer of participation in the Auction binds the buyers to the commitment of keeping the productive installations of the company in liquidation in operation for at least five (5) years.
8. On all the points contained in the offers and on any other terms that may be agreed upon (job positions, amount of investments, length of time of operation, etc.) the buyer must accept clauses and other security, additionally covered by real collateral, to guarantee compliance with his commitments.
9. Essential guidelines for the evaluation of the offers are:
   a) the size of the amount offered
   b) the number of job positions created
   c) the security provided for the settlement of any balance of the offered price on credit and for the execution of any remaining terms under commitment
   d) the creditworthiness and business reputation of the interested parties
   e) the business plan and in particular the size of future investments.
10. In the event that payment is to be on credit, the current value will be taken into account and will be calculated at a fixed rate of interest for all offers, this being the rate in force at the time of submission of the offer, for interest-bearing Greek State bonds of a year's duration.
11. The highest bidder is the one whose offer has been judged by the creditor, the HELLENIC INDUSTRIAL DEVELOPMENT BANK (ETBA) S.A., following the proposal of the liquidator, as being in the best interest of the creditors of the company under liquidation.
12. The elements that constitute the company's Assets shall be transferred "as is and where is" and, more specifically, in their actual and legal condition and wherever they are on the date of signature of the sale contract. The liquidator, the company under liquidation and the creditor are not liable for any legal or actual faults, lack of any qualities or any incomplete or inaccurate description of the asset for sale in the Offering Memorandum. Interested parties must, on their own responsibility and due care, and by their own means and at their own expense, inspect and form their own opinion of the objects for sale. The submission of an offer implies that interested parties are fully aware of the actual and legal condition of the objects for sale.
13. In the event that the party to whom the asset for sale have been adjudicated fails in his obligation to appear and sign the relative contract at the time and place indicated in the relative invitation of the liquidator, in accordance with the terms arising from the present Announcement and from his offer, then the amount of the guarantee stated above is forfeited to the Liquidator to cover expenses of all kinds, time spent and any real or paper loss suffered by himself and by the creditor, with no obligation on their part to provide evidence of such loss or consider that the amount has been forfeited as a penalty clause, and collect it from the guarantor bank.
14. The liquidator bears no responsibility or obligation towards participants in the auction, both with regard to the drafting of the evaluation report on the bids or to the liquidator's proposal regarding the highest bidder. Also he is not responsible and nor is he under any obligation to participants in the auction in the event of a cancellation or invalidation of the auction if its result is deemed unsatisfactory.
15. Those participating in the auction and who have submitted offers do not acquire any entitlement, claim or demand, on the strength of the present announcement or their participation in the auction, against the liquidator or the creditors for any cause or reason.
16. In accordance with para. 13 of article 46a of Law 1892/1990 the sale contract, the transcriptions and any other action involved in its execution, are exempted from State or third party taxes, dues or stamp duty while the rights and fees of notaries, lawyers, supervisors and registrars of mortgages are limited to 30% of the figure in question. Transfer expenses of the assets for sale (VAT, fees, rights and other expenses) shall be borne by the buyers.

The present announcement has been drafted in Greek and in English in translation. In any event, however, the Greek text will prevail.

For any further information and for the Confidential Offering Memorandum, interested parties may apply to the offices of the liquidating company:

ETBA FINANCE Financial and Economic Services S.A., 1 Eratosthenous Street, 4th Floor, Athens, Greece. Tel. (301) 726.0210, 726.0278 and 726.0506. Fax: (301) 726.0864.

ETBA FINANCE

FINANCIAL AND ECONOMIC SERVICES S.A.

(formerly GREEK EXPORTS S.A.)

ANNOUNCEMENT OF A PUBLIC AUCTION FOR THE HIGHEST BIDDER FOR THE SALE OF THE ASSETS OF "PIRAIKI-PATRAIKI READY-MADE CLOTHES INDUSTRY OF VOLOS S.A." PRESENTLY UNDER SPECIAL LIQUIDATION

ETBA FINANCE Financial & Economic Services S.A., established in Athens at 1 Eratosthenous & Vas. Constantinou Streets, in its capacity as special liquidator of the above company, presently under special liquidation as per article 46a of Law 1892/1990, and in accordance with Decision No. 4996/1996 of the Athens Court of Appeal

ANNOUNCES

a international public auction for the highest bidder with sealed, binding offers for the sale of the total assets of "PIRAIKI-PATRAIKI READY-MADE CLOTHES INDUSTRY OF VOLOS S.A."

ACTIVITY AND BRIEF DESCRIPTION OF THE COMPANY

The company under liquidation owns a cutting and sewing factory for ready-made clothes in Volos on Mitropolitou Grigoriou and Aristotelous Zabou Streets in the Palaia district on a 10,307.61 m² plot of land. The factory building covers an area of 8,057.06 m² (ground floor) and a first floor 2,495.52 m² in area. The total volume of both floors is 44,986.76 cu.m. The building has a concrete frame with brick walls, glass windows and metal roofs. The company's assets include the factory's mechanical and auxiliary equipment, furniture and utensils, trade marks as well as a building plot at Dimini in the Volos region 9,286.61 m² in area.

TERMS OF THE ANNOUNCEMENT

1. The present Auction shall be carried out in accordance with the provisions of article 46a of Law 1892/1990 as complemented by article 14 of Law 2000/1991 as in force today, the terms contained in the present Announcement and the terms contained in the relative Offering Memorandum regardless of whether or not they are repeated in the present Announcement. The submission of a binding offer implies acceptance of all these terms.
2. Each interested party is invited to receive from the Liquidator the detailed Offering Memorandum and ask for any other information concerning the company under liquidation following a written promise of confidentiality.
3. Interested parties are invited to submit a sealed, written and binding offer to the notary public of Vyrona, Attica, assigned to the auction, Mrs Theodora Sykiotou-Papagianni, at 48 Chrysostomou Smyrnis Street, Tel. (301) 765.0758 & 766.1910 up to 12:00 noon on Thursday, 12 September 1996. Offers must be submitted in person or by a legally authorised representative. Offers submitted beyond the specified time limit will not be accepted or considered. Offers must not contain terms upon which their bindingness may depend or which may be vague with respect to the amount and manner of payment of the offered price or to any other essential matter concerning the sale.
4. On penalty of invalidity, offers must be accompanied by a letter of guarantee from a first class bank legally operating in Greece, valid until adjudication for low bidders and up to the signature of the sale contract for the highest bidder, to the amount of seventy million (70,000,000) drachmas.
5. The offers will be unsealed by the above-mentioned notary in her office at 14:00 hours on Thursday, 12 September 1996 and all persons having submitted offers within the specified time limit are entitled to attend.
6. Offers must clearly specify the offered amount and manner and time of payment. Part credit is acceptable on condition that at least 20% of the total offered price is paid in cash on signature of the relative sale contract and that the balance is settled in equal annual or six-monthly instalments, the first of which to be paid within one year from the date of signature of the relative sale contact, with interest at a steady annual rate, correspondingly compounded.
7. The factory can be put to any productive use by the buyer. However, if the buyer wishes to put it to any use other than the manufacture of ready-made clothes, then it is up to the buyer to obtain the necessary permits and at his own expense.
8. The submission of an offer of participation in the Auction binds the buyers to the commitment of keeping the productive installations of the company in liquidation in operation for at least five (5) years.
9. On all the points contained in the offers and on any other terms that may be agreed upon (job positions, amount of investments, length of time of operation, etc.) the buyer must accept clauses and other security, additionally covered by real collateral, to guarantee compliance with his commitments. Specifically on the subject of job positions there will be a penalty clause to the amount of 225,000 drachmas per month per worker for the entire period the company is obliged to operate. Penalty clauses for job positions will be covered by the provision of real collateral.
10. Essential guidelines for the evaluation of the offers are:
    a) the size of the amount offered
    b) the number of job positions created
    c) the security provided for the settlement of any balance of the offered price on credit, and for the execution of any remaining terms under commitment
    d) the creditworthiness and business reputation of the interested parties
    e) the business plan and in particular the size of future investments.
11. In the event that payment of a portion of the price is to be on credit, the interest rate to be calculated will be that of Greek State bonds of one year's duration, on the date of submission of the offer.
12. The highest bidder is the one whose offer has been judged by the creditor, the INDUSTRIAL RECONSTRUCTION ORGANISATION S.A., following the liquidator's proposal, as being the most satisfactory to the creditors of the company under liquidation.
13. The elements that constitute the company's Assets shall be transferred "as is and where is" and, more specifically, in their actual and legal condition and wherever they are on the date of signature of the sale contract. The liquidator, the company under liquidation and the creditor are not liable for any legal or actual faults, lack of any qualities or any incomplete or inaccurate description of the assets for sale in the Offering Memorandum. Interested parties must, on their own responsibility and due care, and by their own means and at their own expense, inspect and form their own opinion of the objects for sale. The submission of an offer implies that interested parties are fully aware of the actual and legal condition of the objects for sale.
14. In the event that the party to whom the assets for sale have been adjudicated fails in his obligation to appear and sign the relative contract at the time and place indicated in the relative invitation of the liquidator, in accordance with the terms arising from the present Announcement and from his offer, as finally formulated, then the amount of the guarantee stated above is forfeited to the Liquidator to cover expenses of all kinds, time spent and any real or paper loss suffered by himself and by the creditor, with no obligation on their part to provide evidence fo such loss or consider that the amount has been forfeited as a penalty clause, and collect it from the guarantor bank.
15. The liquidator bears no responsibility or obligation towards participants in the auction, both with regard to the drafting of the evaluation report on the bids or to the liquidator's proposal regarding the highest bidder. Also he is not responsible and nor is he under any obligation to participants in the auction in the event of a cancellation or invalidation of the auction if its result is deemed unsatisfactory.
16. Those participating in the auction and who have submitted offers do not acquire any entitlement, claim or demand, on the strength of the present announcement or their participation in the auction, against the liquidator or the creditors for any cause or reason.
17. The buyer of the company under liquidation will not be entitled to use the words "PIRAIKI-PATRAIKI" as a name, trademark or in any other way.
18. In accordance with para. 13 of article 46a of Law 1892/1990 the sale contract, the transcriptions and any other action involved in its execution, are exempted from State or third party taxes, dues or stamp duty while the rights and fees of notaries, lawyers, supervisors and registrars of mortgages are limited to 30% of the figure in question. Transfer expenses of the assets for sale (VAT, fees, rights and other expenses) shall be borne by the buyers.

The present announcement has been drafted in Greek and in English in translation. In any event, however, the Greek text will prevail.

For any further information and for the Confidential Offering Memorandum, interested parties may apply to the offices of the liquidating company:

ETBA FINANCE Financial and Economic Services S.A., 1 Eratosthenous Street, 4th floor, Athens, Greece. tel: +30-1-726.0210, 726.0278, 726.0506 and fax: +30-1-726.0864.

INTERNATIONAL NEWS DIGEST

Israel 'ready for talks with Syria'

With tensions running high between Tel Aviv and Damascus, Israel asked Washington yesterday to pass a message to Syria that it wanted peace and was ready to begin negotiations without preconditions.

"The message that we sent to Assad is that Israel is ready at any time to enter peace negotiations," Israeli foreign minister David Levy told Israel Radio. However Mr Levy, who said he gave the message to US ambassador Martin Indyk, took the opportunity to attack Syrian rhetoric.

"The voices coming out of Damascus are bad, not good. The media... are full of expressions and declarations that must be worrying... this artificial atmosphere is very dangerous," he said.

A senior Israeli legislator earlier said intelligence agencies were increasingly concerned that Syria may opt for war to break a deadlock in peace talks. Tensions have mounted since rightwing prime minister Benjamin Netanyahu took office in June, vowing to retain the Golan Heights, captured from Syria in 1967. *Reuter, Jerusalem*

Australia N-ban move sought

Major powers may ask Australia, with its strong anti-nuclear credentials, to bypass India's veto on a draft nuclear test ban treaty by putting the pact before the United Nations General Assembly, diplomats said yesterday. "Australia has the credibility, the tradition in disarmament and the ability to talk to both sides," said one diplomat.

Diplomats said the five declared nuclear powers – the US, Russia, China, Britain and France – who all now back the draft treaty, believed it would be counter-productive to intervene themselves. They considered Australia best placed to present the draft treaty, which India formally prevented from being adopted on Tuesday, to the assembly in the form of a resolution calling for a swift signing ceremony.

Asked about the possibility, Australian disarmament ambassador Mr Richard Starr said nothing would be decided before a Conference on Disarmament meeting today due to wrap up the Geneva talks.

"Three years of hard and patient work have gone into that text and many years of expectation before that. It cannot just be left to die," he said. *Reuter, Geneva*

India unites over nuclear arms stance, Page 5

Iran 'attacked Iraqi Kurds'

An Iraqi Kurdish militia group said yesterday that Iranian artillery units have pounded its positions in northern Iraq in support of a rival Kurdish group, killing or wounding around 100 people. "The Iranian Islamic regime has entered the war on behalf of its PUK (Patriotic Union of Kurdistan) quisling," the Kurdistan Democratic Party (KDP) said.

Fighting between the two Kurdish groups broke out last weekend, shattering a ceasefire brokered by the US early last year. The KDP, led by Massoud Barzani, said Iranian forces had been firing heavy artillery and Katyusha rockets into northern Iraq from inside Iran every day since August 18. It called on the western allies who shield northern Iraq's Kurds against any attack by Baghdad to halt the shelling.

A US, British and French air force, known as Provide Comfort, has been patrolling northern Iraq since shortly after the end of the 1991 Gulf war. *Reuter, Ankara*

De Klerk apologises for S Africa's past

By Roger Matthews in Cape Town

Mr F.W. de Klerk, former president of South Africa, admitted yesterday previous National Party leaders were deeply mistaken when they introduced apartheid, and apologised for human rights abuses committed in that era.

"I retain my deep respect for our former leaders. Within the context of their time, circumstances and convictions they were good and honourable men, though history has subsequently shown that, as far as the policy of apartheid was concerned, they were deeply mistaken in the course on which they embarked," he said.

Acknowledgment of guilt came as the leader of the National Party gave evidence to the Truth and Reconciliation Commission set up to investigate human rights abuses under apartheid. The ruling African National Congress makes its submission today.

Mr de Klerk and his party would have preferred to draw a line under April 27, 1994, when elections completed the formal transition from apartheid to democracy. But the ANC insisted on the truth commission, a bridge between past and future, letting victims tell their stories and seek reparation, and perpetrators confess and apply for amnesty.

While testifying on the past, Mr de Klerk is thinking of the future. The National Party, the organisation which gave the world apartheid, seeks today to be at the heart of a new political force which might one day eject the ANC from office. So Mr de Klerk, promising to be "open, frank and helpful" in his evidence, was inevitably facing both ways.

The ANC had arranged for demonstrators to greet him at the aptly named Good Hope Centre in Cape Town, their placards reminding Mr de Klerk of his party's past. But the Nationalists packed the audience, providing their leader with a hero's welcome. Archbishop Desmond Tutu, who heads the commission, was greeted with less enthusiasm.

Mr de Klerk said he did not intend to excuse "many unacceptable things" that occurred under National Party rule. "They happened and caused immeasurable suffering to many. I would like to express my deepest sympathy to all who suffered during the conflict. I, and many other leading figures, have already publicly apologised. I reiterate those apologies today."

It was an apology ranging from arrival of the earliest Dutch settlers to the collapse of communism. He ducked personal blame, saying "no president, minister, commanding officer, or indeed archbishop, can know everything which takes place."

He added: "In dealing with unconventional strategies, I want to make it clear: within my knowledge and experience they never included authorisation of assassination, murder, rape or assault."

Those carrying out such acts might have believed, incorrectly, they were following orders; others might have been over-zealous, and there were those acting in bad faith. It had also become clear, he said, there were elements in the security forces opposed to efforts to dismantle apartheid, acting against his policies rather than the "revolutionary forces".

Even less blame could attach to the "new" National Party, said Mr de Klerk, whose policies differed radically from those of the old party. "Over half voting for us at the last election were black, coloured, or Indian South Africans. Neither they, nor our younger white supporters, can or should be associated with apartheid policies of the past".

Editorial comment, Page 9

Israel's religious parties flex their muscles

In the Knesset office of Rabbi Avraham Ravitz there is a spectacular mural photograph of Jerusalem struck by three simultaneous bolts of lightning.

For Israel's increasingly nervous secular majority, it could easily symbolise the ascent to unprecedented power of Israel's three religious parties, and its fear that they wish to visit the wrath of God on Israelis and push the state towards a theocracy.


An ultra-orthodox Jew hangs on to a barrier as he resists arrest as thousands of religious Jews rioted to demand closure of Bar Ilan Street on the Sabbath Popperfoto/Reuter

The National Religious Party and two ultra-orthodox parties, Shas, representing Sephardi or Oriental Jews, and United Torah Judaism, representing Ashkenazi or western Jews, won 23 out of 120 Knesset seats in the May 29 elections.

This amounts to a doubling of their parliamentary strength over the last decade. It also makes them an indispensable component of the 66-seat majority coalition headed by Mr Benjamin Netanyahu of the rightwing Likud, and won them seven out of 18 cabinet portfolios, including interior, justice, education and the highly-prized housing ministry.

This presence of religious fundamentalists alongside extreme rightwing nationalists in Mr Netanyahu's cabinet has strengthened irredentist demands to keep conquered Arab land and expand Jewish settlement on it. It is also threatening to widen the gulf between the religious and the secular into a schism.

The ultra-orthodox or Haredi communities were given a strong regulatory hand over socio-religious practice by Israel's founding father, David Ben Gurion, in 1947, in part to head off Jewish religious opposition to the state of Israel, created the following year. Ultra-orthodox rabbis won control over burials and marriages; religious schools got autonomy; public institutions had to serve kosher food, and close on the Sabbath. But this so-called "status quo" also guaranteed the civil and religious rights of all other Israeli citizens.

But as the Haredim – whose birth rate is around four times the Israeli average – grew in numbers and influence, they have periodically bid for more. After concentrating on securing housing and schools for their communities, their success in May's elections has widened their sights. In particular, they want to rewrite the Law of Return to stop immigration by non-Jews.

Mr Netanyahu, who must balance their demands with those of his secular coalition partners, could not have won without the bloc support delivered by the rabbis. He may not be able to govern without the fundamentalists, who are now pressing their advantage on the battle-line of Bar Ilan Street in Jerusalem.

Bar Ilan is a four-lane artery running from the old Green Line dividing East and West Jerusalem to the Tel Aviv highway. Fifteen years ago, around a third of the surrounding population was Haredi. Now that figure is nearly 100 per cent. "It's a bit like the effect of blacks moving into a white area; in this case we are the blacks," says Rabbi Ravitz, parliamentary leader of United Torah Judaism.

For over a month now, Haredim in their trademark heavy black coats, fedoras and cossack fur caps, have gathered each Saturday to demand the road's closure on the Jewish Sabbath, stoning passing cars and clashing with secular demonstrators and police. The Supreme Court last week threw out the ultra-orthodox demand, instead setting up a commission to study traffic movement on the Sabbath in the Holy City, where nearly a quarter of the population is Haredi.

This was greeted as "a declaration of cultural war" by UTJ Knesset member Moshe Gafni. But plans to bring Jerusalem to a standstill are on hold, while the religious parties take aim at the Supreme Court, a secular bastion which has stood firm against religious legislation from the Knesset, and kept the 1947 "status quo" alive. The UTJ and Shas have called for a new law on road closures to by-pass the Supreme Court, and threatened to leave Mr Netanyahu's government.

Bar Ilan has thus become the symbol of Israel's half-century struggle between the religious and the secular. Mr Ornan Yekutieli, Jerusalem city councillor for the militantly secular Meretz party, Labour's ally in the coalition defeated in May, says giving way on Bar Ilan would turn Jerusalem into "a new Tehran," ruled by rabbis instead of mullahs.

Rabbi Ravitz says it is the Supreme Court's blundering sectarianism which has elevated Bar Ilan to this status. "We had no intention of making it a symbolic issue," he says. "They should have treated it as a local problem."

He dismisses a recent incident, when female education ministry employees were stoned and spat on for wearing short sleeves.

He vigorously denies that the ultra-orthodox have theocratic ambitions. "If we were a majority of 60 or even 70 per cent, we could not, according to our beliefs, force the secular minority to change their way of life.

In the past, Israel's religious parties have tended to be much more pragmatic than they sound, moderated by state patronage they can win for their communities. Yet never before have they been in such a commanding position, and that alone means Bar Ilan cannot be just "a local problem."

David Gardner

WORLD TRADE NEWS DIGEST

Hanoi to alter investment law

Details have emerged of proposed changes to Vietnam's foreign investment law, which Hanoi hopes will help channel foreign capital into areas that need them most.

A draft amendment to the law said foreigners would be encouraged to invest in infrastructure, agriculture and forestry, export processing and industrial zones "where there are severe socio-economic conditions". Shipbuilding, electronics and food processing were also made priorities.

Vietnam has said it wants to be more selective in approving foreign projects, but the draft is the first indication of what it means by this.

The approach comes as Vietnam expects the value of foreign project approvals this year to fall to $6.5bn against $7.5bn last year. Total project pledges so far amount to $20bn.

The draft also said Hanoi would ban foreigners from setting up wholly foreign-owned ventures in the fields of insurance, auditing, hotels, the media, port and airport construction, and generation and distribution of electricity. *Jeremy Grant, Hanoi*

Taiwan seizes $2bn software

Taiwan government agents have seized US$2bn worth of counterfeit software and detained more than 70 suspected bootleggers, officials said yesterday.

The island's largest-ever anti-piracy force stormed 126 businesses across the island. "The effort was intended to eliminate pornographic and pirated compact disc software," an investigator said. "Some 64,000 copies of illegal discs were found."

The day's haul included 50,000 compact discs of computer software stolen from top international companies. Such discs can contain hundreds of megabytes of counterfeit software each, but sell for as little as T$800 ($29) in Taiwan. *Reuter, Taipei*

China launching new satellite

China plans its next satellite launch before the end of the year, despite a failure over the weekend, the China Aerospace Corp said yesterday.

"The next launch will depend on the weather... and preparations," a spokesman added. No launch contracts had yet been cancelled.

On Sunday, the domestic communications satellite launched aboard a Long March 3 rocket from Xichang Space Centre, south-west China, went into a lower orbit than planned and is unlikely to be salvaged.

The Chinapac-7 satellite was built by Hughes Space and Communications of the US, a unit of General Motors. It was launched for domestic television and telecoms use by China Telecommunication Broadcasting Satellite Corp, part of the Ministry of Posts and Telecommunications, having an insured value of $120m. *Reuter, Beijing*

Turkey joins Iraq trade fairs

Turkish companies will take part in trade fairs in Iraq in August and November, in an attempt to increase the volume of their trade with Baghdad, Turkey's Anatolian news agency has said, quoting Foreign Minister Tansu Çiller.

Turkish businessmen, who launched several trade missions to Iraq last month, have said they could supply Iraq with goods worth $870m, the entire amount Baghdad has allocated to food purchases. Iraq's oil sales could begin by mid-September, Mrs Çiller added. *Reuter, Ankara*

Arco in $3.5bn Venezuela oil venture

By Raymond Colitt in Caracas

Atlantic Richfield Company (Arco), the US oil company, yesterday signed a $3.5bn agreement with Corpoven, a subsidiary of state-owned Petróleos de Venezuela (PDVSA), to develop an extra-heavy crude oil field in eastern Venezuela.

The strategic association marks the return of Arco to Venezuela after an absence of 20 years, following nationalisation of the country's oil industry in 1976, and is part of a wave of foreign oil companies seeking a stake in Venezuela's hydrocarbon reserves, the largest outside the Middle East.

"We have a project with the type of potential that Arco is permanently seeking but is seldom found," said Mr Mike Bowlin, president of Arco. He added that the deal would not have been possible without "PDVSA's good business sense" and said "this was an opportunity to work with one of the best managed state petroleum companies."

The joint venture will produce and upgrade some 200,000 barrels per day of extra-heavy crude oil from the Orinoco Belt, some 370 km southeast of the capital Caracas. The upgrading plant is to go on stream in the year 2001.

The government celebrated the deal, which is subject to congressional approval, as an indication that Venezuela once again had an attractive investment climate after the implementation of market-oriented reforms and the signing of a standby agreement with the International Monetary Fund in April.

"This strategic alliance reaffirms the confidence which international investors have in the future of the country and in the development of new businesses," said Mr Guillermo Archila, president of Corpoven.

During its lifetime the project is to generate some $33.5bn in sales, of which about 66 per cent would be injected into the Venezuelan economy.

Earlier this year Venezuela signed a series of profit-sharing ventures with foreign consortia, bringing some $11bn of investment over the next 10 years. Negotiations with two other US oil companies, Exxon and Mobil, also to develop extra-heavy crude oil fields, are said to be well advanced.

"Venezuela is aggressively seeking to develop and market its untold heavy crude oil reserves, and they're starting to get the investment and those long-term commitments to make it happen," said Mr Steve McAllister, US director of petroleum services with Price Waterhouse in Caracas.

PDVSA, already the world's second-largest petroleum company and ranked as one of the most efficient by the Petroleum Intelligence Weekly, says its opening to foreign capital is irreversible.

Isuzu, Honda reject charges by US consumer organisation

By Michiyo Nakamoto in Tokyo

Isuzu and Honda yesterday rejected claims by an influential US consumers' group that sport utility vehicles sold by the Japanese companies were liable to roll over and should be recalled.

"We cannot but be surprised by the test results of the Consumers' Union," Isuzu said in a statement. Both companies said that they were confident of the reliability of their vehicles and that they would need to thoroughly review the testing methodology used by the US consumers' group.

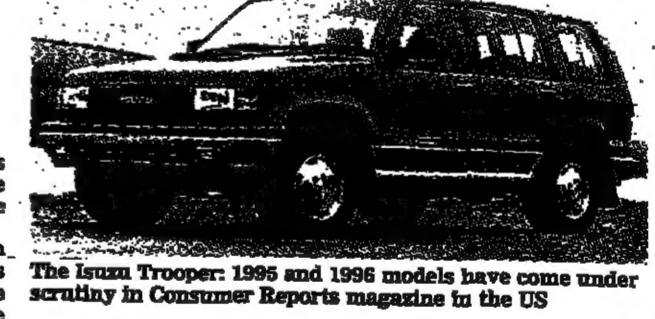
The Consumers' Union said in the latest issue of its Consumer Reports that the 1995 and 1996 models of the Isuzu Trooper and the 1996 Honda Acura SLX, which is made by Isuzu and sold under the Acura badge, almost tipped over in routine avoidance-manoeuvre tests.

The consumers' group is asking for a halt to sales of the vehicles and a recall for those already sold. It has also asked the US National Highway Traffic Safety Association to investigate the design of the vehicles.

Isuzu, which manufacturers the vehicles in Japan, said that the Trooper was fully up to US safety standards and that authoritative test reports, as well as insurance companies, had given the Trooper higher than average ratings. The SLX was "a safe and reliable vehicle when driven in a responsible manner," said Acura, the US Honda dealership which sells the SLX.

Isuzu sold 23,600 Troopers last year, according to Ward, an industry magazine, while Honda aims to sell 5,000 SLXs this year. The vehicles are sold in Japan as the Isuzu Big Horn and the Honda Horizon.

The Consumers' Union report could have a serious effect on sales of the vehicles, regardless of the final verdict on reliability.


The Isuzu Trooper: 1995 and 1996 models have come under scrutiny in Consumer Reports magazine in the US

"The chances are very high that there will be a damaging effect" on Isuzu Trooper sales, said Mr Takaki Nakanishi, industry analyst at Merrill Lynch in Tokyo. He said that, if the consumer reaction to the report turned out to be like that towards a similar case involving Suzuki in 1988, it could result in a very difficult situation for Isuzu.

Suzuki, the Japanese car manufacturer, faced a rash of lawsuits after a 1988 Consumer Reports article gave its sport utility vehicle, the Samurai, a poor rating. Although a US government report cleared the Samurai, Suzuki faced about 240 lawsuits related to roll-over accidents involving the Samurai, including a $90m class action in California demanding that Suzuki fix defects in all Samurais bought by 45,000 California owners. US Samurai sales slumped and the company stopped making the model there.

Apec plans 'smart cards' for business travel

By Edward Luce in Davao City, Philippines

Members of the 18-nation Asia Pacific Economic Co-operation Forum yesterday sought to enliven what are widely seen as highly procedural trade talks when they agreed to a proposal to introduce travel "smart-cards" for businessmen crossing international borders.

The cards, which could in some cases replace visas as well as expedite businessmen's passage between Apec countries, could be available as early as November, when Apec heads of state meet in Manila, officials said.

The plan, designed to improve trade ties between Apec countries, was put forward by Australia and strongly embraced by several countries, including Thailand, Singapore, South Korea and the Philippines.

"This basically will be in lieu of a visa and there will be an accreditation system in which businessmen will be certified by their own economies and the names forwarded to other economies," said Mr Antonio Basilio, chairman of the Apec senior officials' meeting. The idea was that "once these cards are issued the businessmen just breeze through customs and immigration, the card is swiped to a card reader and all the information will be there."

Acceptance of the "smart-card" visa – which it is thought will take longer to emerge among other members of the free trade body, notably the US – followed talks on the more detailed individual action plans (IAPs) on trade liberalisation.

Thirteen of the 18 IAPs, which are supposed to spell out each member's plan to cut tariffs across 15 sectors by 2010 for developed countries and by 2020 for developing members, have been "resubmitted" since they were first presented in May. The move came after criticism that some of the documents lacked detail. Officials said the new IAPs were a considerable improvement on the original documents.

But Apec officials said most of the plans were still open to interpretation and often contained only vague indications of when the tariff cuts would take place.

Apec members have pledged to produce more detailed documents, which would include specific timetables, before the heads of state meeting in November.

The 18 countries – which also include Canada, China, Japan, Hong Kong, Indonesia, Brunei, Chile, Papua New Guinea, Taiwan, Malaysia, New Zealand and Mexico – also agreed to discuss rules on the criteria for the entry of new members. Countries such as India, Vietnam and Russia have expressed the desire to join Apec.

"Basically, if we cannot agree on proper criteria for new members before November, there will be another three-year moratorium on applications," one official said. "At the moment, it could go either way."

The officials' meeting, which ends at the weekend, will also discuss whether Apec should take a common line at the World Trade Organisation's first ministerial meeting, to be held in Singapore in December.

Divisions between the US and most Asian members on new trade issues, notably labour rights and environmental regulations, mean a common front is unlikely.

The US proposal to scrap global barriers to trade in information technology is, however, thought to have a better chance of being accepted by Apec before the Singapore meeting.

FINANCIAL TIMES
COMPANIES & MARKETS
Thursday August 22 1996

IN BRIEF

Scania float gives Investor SKr11bn

Sweden's Investor, the Wallenberg empire's main investment vehicle, said its flotation earlier this year of a 55 per cent share of Scania, the truckmaker, had left it with a cash hoard of SKr10.8bn ($1.62bn). Page 13

MoDo downbeat on prospects for year
MoDo, the Swedish forestry products company, said orders for wood pulp and paper grades were increasing but cautioned against expectations of a recovery in profitability in the remainder of the year. MoDo announced a 36 per cent drop in first-half profits to SKr1.66bn ($250m). Page 12

Nordbanken gains 18% to SKr3.8bn
Nordbanken, the partially privatised Swedish bank, said falling interest rates and low loan losses helped push operating profits up 18 per cent in the first half from SKr3.2bn to SKr3.8bn ($572.2m) after a strong second quarter. Page 12

Overcapacity damps US retail hopes
Analysts believe the US retail sector, for which results for the second quarter to July are pouring in, is heading for a better Christmas than last year's dismal affair. Yet the industry continues to be plagued by overcapacity, cut-throat competition and poor margins. Page 13

Commonwealth Bank improves 13.8%
Shares in Commonwealth Bank of Australia rallied after the commercial bank announced a 13.8 per cent increase in after-tax profits to A$1.12bn (US$880m) in the year to June 30. Page 13

Cross-channel war claims first victim
The cross-Channel ferry price war claimed its first victim when the UK's Mersey Docks & Harbour announced the closure of its passenger ferry service between UK and the Netherlands. Page 14

Marley upbeat on overseas outlook
Marley, the UK-based building materials group, said it remained unsure about its domestic prospects but was upbeat about its overseas performance. Page 15

Gold miners venture to volcano's edge
Lihir Island, 700km from the Papua New Guinea mainland in the Bismark Sea, contains one of the biggest undeveloped gold deposits in the world. But recovering its gold is unlikely to be straightforward – the mine will include one side of a dying volcano and the area experiences "moderate" seismic activity. Page 18

Citic and HSBC reach record highs
In Hong Kong, shares in HSBC Holdings, the banking group, and Citic Pacific, the Chinese investment company, both hit record highs as the Hang Seng index rose 154.99 to 9,831.04. Page 28

Companies in this issue

Market Statistics http://www.FT.com

Chief price changes yesterday

FRANKFURT (DM)			
Rises			
BMW	848	+	8.5
Berliner Kfr	419.5	+	4.5
Porsche	879	+	13
Falls			
Karstadt	530.5	–	10.5
VEW	451	–	9
Wella	876	–	22
NEW YORK ($)			
Rises			
Chase Corp	27¾	+	3
Genesis Hlth	24¼	+	1¼
Newbridge Net	58⅞	+	7¾
Falls			
Jenny Craig	11⅛	–	5⅛
Pohang Iron	20⅝	–	1¼
Roxane Corp	10⅜	–	2⅛
LONDON (Pence)			
Rises			
Carpetright	581	+	21
Parico	325	+	18
Reliac	122	+	11
Falls			
Danka Busnss	453	–	22
Mersey Docks	404	–	11
NatWest Bnk	674	–	15
TORONTO (C$)			
Rises			
Leitch Tech	40.05	+	9.7
Newbridge Net	78.9	+	10.35
Pangea Gldfld	7.7	+	1.05
Falls			
Aur Resources	9.25	–	0.6
CFCF Inc	20.5	–	1.65
Foumeyer Can	8.5	–	1.0
PARIS (FFr)			
Rises			
Geophysique	336	+	20
Imetal	878	+	24
Falls			
Accor	622	–	13
BIC	718	–	16
Bouygues	607	–	13
Fonc Lyon	551	–	14
TOKYO (Yen)			
Rises			
Central Glass	404	+	17
Hattori Seiko	911	+	27
Kyodo Shiryo	462	+	28
M'shita Koto	2760	+	100
Falls			
Green Cross	501	–	97
Toshoku	809	–	20
HONG KONG (HK$)			
Rises			
China Res	7.0	+	0.35
Goldlion Hldg	4.6	+	0.3
New Asia A	28.1	+	1.1
Falls			
Artfield Grp	2.025	–	0.07
Dah Hwa Intl	4.35	–	0.22
Pacific Chord	1.66	–	0.07
BANGKOK (Baht)			
Rises			
Finance One	110.0	+	7.0
Head Thip	68.5	+	6.0
IFCT Fin & Sec	57.0	+	4.5
Falls			
Krungthep	123.0	–	13.0
SP Suzuki	46.5	–	3.5
Sanaggi Ins	87.0	–	6.0

New York and Toronto prices at 12.30pm.

CS Holding disappoints with 20% increase

By William Hall in Zurich

CS Holding, Switzerland's second biggest banking group, disappointed the stock market yesterday with a 20 per cent rise in its first-half net income to SFr830m ($687.5m).

A record first-half performance by CS First Boston, the group's investment bank, was partly offset by higher staff bonuses and the need to make increased provisions for problem loans in the domestic Swiss banking business.

CS Holdings, which is restructuring its business, is the last of the big three Swiss banks to report first-half results. Analysts noted that its first-half performance looked sluggish compared with the one-third rise in net income reported by Union Bank of Switzerland and Swiss Bank Corporation.

CS Holding shares, which have outperformed the rest of the banking sector this year, yesterday fell SFr1.75 to SFr128.25. Mr Thomas Bieri, banking analyst at Zurich Cantonal Bank, said the difference in performance between CS Holding and the other two banks underscored the need for the restructuring. Under the plan, announced in July, CS will shed 5,000 jobs to cut operating costs by SFr700m a year.

The group's operating expenses, the highest of the Swiss banks, rose in the current half by 17 per cent to SFr3.9bn – only slightly less than the 19 per cent growth in operating income to SFr6.4bn. The expenses were inflated by a SFr400m increase in performance-related staff bonuses, mainly at CS First Boston, where first half pre-tax profits rose 56 per cent to $236m.

Mr Hans Kaufmann, head of equity research at Bank Julius Baer, said the scale of the increase in bonus payments at CS First Boston was disappointing. "Only a quarter of the earnings improvement (at CS First Boston) is coming through to shareholders. The rest appears in the pockets of CS First Boston's managers," said Mr Kaufmann. The system needed to be changed urgently, especially if CS Holding was to buy out the minority shareholders in the US bank.

The biggest contribution to the growth in the group's first-half earnings was a 27 per cent rise in net commission income to SFr2.42bn. However, CS Holding still earns a smaller proportion of its income from this source than its big Swiss rivals. It also remains more dependent than them on relatively unstable trading profits. In the current half year, trading income rose 24 per cent to SFr1.9bn.

The other factors which depressed the group's first-half performance were a sharp drop in income from equity investments, primarily reflecting a fall in the contribution from its stake in the Electrowatt industrial group, and a 59 per cent jump in provisions to SFr641m.

Volvo held back by US truck division

By Hugh Carnegy in Stockholm

Volvo, the Swedish motor manufacturer, yesterday reported a 28 per cent fall in first-half profits as it revealed the full extent of problems in its US truck operations.

Pre-tax profits tumbled from SKr5.33bn ($807m) at the same stage last year to SKr3.86bn as the sudden reversal in earnings in the truck division – the main engine of Volvo profits for the past two years – compounded weak results from the flagship car division.

The scale of the fall would have been even greater but for a SKr1.5bn one-time charge incurred in the first half last year. The result was not unexpected by the markets, but Volvo's most-traded B-share fell SKr1.50 after the news to close at SKr136.50.

The main blame was placed on a slump in performance by Volvo GM Heavy Truck, the US operation in which General Motors has a 13 per cent share. The company's North American sales fell 31 per cent and its market share slipped from 11.5 per cent to 9.5 per cent.

Losses from the US – combined with weak results from South America – led to a collapse in Volvo's truck division operating profits from SKr2.9bn in the first half of last year to SKr1bn. In the second quarter, the division posted earnings of SKr347m, compared with SKr1.4bn in the same period a year ago.

The reversal eclipsed a minor recovery in Volvo's car division, which returned to a small profit in the second quarter after two successive quarters in the red. But the surplus of SKr338m was still well down on the SKr650m profit made in the second quarter of last year.

Volvo moved to stem the US losses earlier this month by removing the head of US operations and the chief financial officer at Volvo GM. Mr Karl-Erling Trogen, head of Volvo's truck operations, has taken personal control until a new chief is appointed.

Mr Trogen said yesterday some of the losses were due to heavy costs associated with the introduction of a truck on to the US market later this year.

However, he acknowledged that there had been a serious slip-up in the sales operation which had underperformed in a market which had not proved as weak as Volvo had anticipated earlier in the year.

"We will cut the losses in the US operations during the rest of 1996 but I do not expect we will be back to break-even until the first half of 1997," Mr Trogen said.

Volvo's total truck sales worldwide fell in the first half from 38,340 units to 33,240, a fall of 13 per cent.

The numbers were held up by an increase of sales of 13 per cent in Europe where Volvo said it increased its market share to 16.3 per cent.

Volvo's car sales, meanwhile, fell 12 per cent from 198,790 vehicles to 174,570. One reason was a series of delays in introducing Volvo's new medium-sized S40 and V40 model.

However, Volvo said it would reach its target of producing 65,000 of the new cars this year.

Volvo said it had made a capital gain of SKr7.8bn from its sale last month of a 10 per cent stake in Pharmacia & Upjohn, the pharmaceuticals group, which would be included in the third-quarter result.

The sky's the limit: Europe's tallest skyscraper, Commerzbank's headquarters in Frankfurt, nears completion. The building, 259 metres high, beats by two metres the previous record holder, Messeturm (Trade Fair) also in Frankfurt. The topping-out ceremony is tomorrow. Reuters

KHD cuts loss after restating figures for 1995

By Sarah Althaus in Cologne

Klockner-Humboldt-Deutz, the German engineering company which almost collapsed this year, yesterday reported lower interim losses. It also dismissed suggestions it had any warning of the DM1bn ($671m) losses arising from three Saudi Arabian cement plant contracts.

KHD drew up a new set of 1995 results following the discovery in June of losses last year of DM963m at KHD-Humboldt-Wedag, the group's cement plant subsidiary.

In the first half of this year to June, group losses, excluding the effects of a DM1.06bn rescue package drawn up by creditors, narrowed from a restated DM184m to DM109m

"We categorically deny all suggestions that we, and I personally, knew anything about the Humboldt-Wedag losses," said Mr Anton Schneider, chairman. "All we can reproach ourselves for is not discovering the deception earlier."

Mr Schneider said responsibility for "the catastrophe" at the plant engineering unit lay solely with Humboldt-Wedag's management. He said that "systematic manipulation" of cost estimates and reports on the Saudi projects, one of which is still unfinished, had kept KHD and its creditors in the dark about the problems.

He criticised the "unbelievable lengths it [Humboldt-Wedag] went to, to carry out Saudi demands for work not even covered in the contracts". Investigations have been launched by the state prosecutor in Cologne against 15 people, including three former Humboldt-Wedag executives. A report by the Deutsche Industrie-Treuhand auditing firm had cleared both himself and Mr Klaus Edelmann, chief financial officer, of any mismanagement, he said.

Including the effects of the rescue package, KHD posted a group surplus of DM819.6m in the first six months. Deutsche Bank, which owns a 47.7 per cent stake in KHD and is its main creditor, helped put together the rescue deal – the third time KHD has been bailed out since 1989.

Interim group sales rose from DM1.17bn to DM1.2bn. New orders, the figure that companies such as KHD frequently cite as the best indicator of future prospects, dropped 9 per cent from DM1.6bn to DM1.4bn.

As part of the rescue package, slightly less than half the company, including Humboldt-Wedag, will be sold off. The remainder, which will be renamed Deutz following the annual shareholders meeting on September 10, will concentrate on making diesel engines and be run by the existing management.

As part of the bail-out, KHD received cash worth about DM800m. This would enable the group, including Humboldt-Wedag, to break even in 1996 after a restated DM1.134bn net loss last year, it said. The group originally reported a DM174m loss for 1995.

The company said the motor engine division would break even. Sales at the unit were expected to total up to DM2.3bn, and are expected to rise a further DM200m in 1997, Mr Schneider said.

Go! Discs head quits following PolyGram deal

By Alice Rawsthorn in London

Mr Andy Macdonald, founder of Go! Discs, one of the UK's most successful independent record labels, yesterday resigned in protest as PolyGram, the Dutch entertainment group, took control of the company.

Describing the PolyGram deal as an "oppressive acquisition", Mr Macdonald, 39, said he was leaving with "the greatest reluctance". He founded Go! Discs, which includes Paul Weller and Portishead among its roster of artists, in 1983 with £500 ($780) in savings.

PolyGram, which is controlled by Philips, the Dutch electronics group, said it was "very sorry" to see Mr Macdonald go, adding that it had negotiated with him "for many, many months" hoping he would stay on as managing director of the label.

Neither PolyGram nor Go! Discs would disclose the value of the acquisition. However, the deal is thought to have netted Mr Macdonald several million pounds.

The two companies have been linked since 1987 when PolyGram acquired a 49 per cent stake in Go! Discs. The label has since thrived by nurturing best-selling acts such as The Beautiful South and Gabrielle, as well as Portishead, who won last year's Mercury Music Prize for their album, Dummy, and Paul Weller, one of this year's Brit award winners.

The 1987 agreement came up for renewal this year, thereby triggering the negotiations that led to the rift with Mr Macdonald.

His departure underlines the fragile nature of the relationship between independent record labels and the "majors", multinational entertainment groups such as PolyGram, that dominate the global music business.

Earlier this summer, Sony Music was forced to compromise in its efforts to take control of Creation Records, the independent label that discovered and signed Oasis, currently one of the UK's most successful rock groups.

Sony, which already owned 49 per cent of Creation, had hoped to buy the label outright, but the co-founders, Mr Alan McGee and Mr Dick Green, threatened to resign if it did so. Instead, Sony agreed To pay them an estimated £12m to extend for five years the sides' current agreement, which gives Sony distribution rights for all Creation's artists outside the UK.

Mr Macdonald is believed to have tried to strike a similar deal with PolyGram. But PolyGram UK, now chaired by Mr John Kennedy, who in his previous job as an entertainment lawyer represented Creation in the Sony deal, refused.

Go! Discs is an important part of the Dutch group's music interests in the UK, the world's fourth largest record market which generated £1bn in retail sales last year.

Music is PolyGram's core business and the resilience of its record labels is of critical importance to the efforts of Mr Alain Lévy, chairman, to diversify into films.

NEWS DIGEST

Nedlloyd buoyed by sale of offshoot

Nedlloyd, the Rotterdam-based shipping and transport group, yesterday reported first-half profit of Fl 276m ($164.7m), against Fl 96m in the comparable period. It attributed the increase to an extraordinary Fl 273m gain from the sale of its Neddrill offshore drilling subsidiary to Noble Drilling, of the US.

Excluding this extraordinary income, net profit was Fl 6m on turnover of Fl 3.4bn, a decline from the Fl 38m posted in the first half of 1995 on turnover of Fl 3.3bn. The ocean shipping division saw interim operating profit fall from Fl 48m to Fl 8m. Although depressed by adverse currency movements, the current half was inflated by a Fl 46m capital gain associated with the sale of ships. When this is stripped out, and the losses examined on a quarter-on-quarter basis, the division moved from a 1996 first-quarter loss of Fl 44m to a second-quarter profit of Fl 6m.

Nedlloyd attributed this underlying Fl 50m surge in ocean shipping to better efficiency, lower costs, and a slight improvement in volume sales and cargo mix. Rates remained "substantially lower" than last year, however. Neddrill, unconsolidated from July 1, further lifted its operating profit because of higher rental income and high capacity utilisation of drilling equipment. Nedlloyd's minority stake in the Martinair Airline was "disappointing" as a result of lower fares and higher fuel costs. In view of the tentative upturn in ocean shipping, Nedlloyd yesterday reiterated an earlier forecast that it would close the year at break-even or possibly in profit before extraordinary income. The company said no further extraordinary gains or losses were expected for 1996.

Apart from gain from the sale of Neddrill, the Fl 273m profit figure includes a further Fl 26m associated with a "refund" from the Nedlloyd pension fund. A further Fl 75m refund was credited against 1995 accounts. After accounting for the Neddrill profit, Nedlloyd's interest-bearing debt declined from Fl 1.63bn at year-end 1995 to Fl 1.28bn at the end of the first half.

David Brown, Amsterdam

Pricing dispute hits CEZ

CEZ, the Czech electricity utility, reported a 7.5 per cent fall in pre-tax profits for the first half of the year, which it blamed on a revenue shortfall caused by outstanding pricing agreements with the country's regional distribution companies. The utility, which is 67 per cent state-owned, made profits before tax of Kč 9.61bn ($359m) in the six months to June 30 compared with Kč 10.39bn in the same period last year. The figures were calculated according to international accounting standards. Net profit fell 5 per cent to Kč 5.95bn from Kč 6.26bn.

CEZ shares fell slightly on the Prague stock exchange on the results. However, analysts said they were in line with expectations and the dip in profits had already been discounted by the market. Mr Petr Vobořil, CEZ director of planning and analysis, said the company had not signed distribution agreements with six of the eight regional distributors, which are resisting the utility's request for an increase in the price charged for electricity. Revenues rose 9.3 per cent to Kč 28.51bn from Kč 26.09bn as sales volume climbed 8.6 per cent on higher demand for electricity during a particularly long winter. CEZ spent Kč 9.3bn on modernisation at coal-burning power stations, which have to meet new environmental regulations by the end of the decade.

In June, it raised Kč 6bn in two domestic bond issues, while its long-term indebtedness rose by Kč 4.7bn in the period.

Vincent Boland, Prague

Eni reveals Saipem share sale

Eni, the partially privatised Italian national oil group, yesterday revealed it has sold off 5 per cent of its holding in Saipem, the pipe laying and service company, for L 130bn ($85.6m). The divestment was carried out discreetly and in stages during the year, leaving Eni with a 75 per cent stake. This is held mainly through its subsidiaries Agip, Snam and Sofid.

The move is part of the oil group's strategy of creating a wider share base in the stock market, while also providing Eni with a useful exceptional gain in advance of the sale of a second tranche of its own shares scheduled for autumn. Shares of Saipem, a world leader in its specialised field, have been a top performer on the Milan bourse, rising to L6,626 from L3,700 since the beginning of the year. The company anticipates a consolidated profit this year of around L150bn. In early September, the treasury is likely to announce the size of the next tranche of Eni shares to be sold. It could be as high as 20 per cent, following last year's initial 15 per cent sell-off. Eni shares have fallen from a high in June of L7,800 to below L6,800.

Robert Graham, Rome

Dry winter hurts Hafslund

Hafslund, the Norwegian energy group, yesterday blamed a 28 per cent decline in first-half operating profits on low water levels for hydro-power production. Hafslund's production fell 19 per cent in the six-month period, to 985 gigawatt hours (GWh) from with 1,211 GWh a year ago.

Operating profit was NKr103m ($15.9m) against NKr143m in the first half of 1995. Pre-tax profits slipped NKr30m to NKr150m. Norwegian power production fell in the review period because a dry winter which left water levels low in the country's reservoirs for hydroelectric production. Hafslund said electricity prices in the spot market were high and stable because of the low rainfall. Average spot level for the period to June 30 was NKr0.238 per kilowatt hour (kWh) compared with NKr0.128 kWh last year. The group posted earnings per share of NKr1.12 for the first half.

Reuter, Oslo

Merck profits ahead 22%

Merck, the German pharmaceuticals group, said net profit rose 22 per cent in the first half, to DM242m ($162m) from DM198m a year ago. Sales rose 8 per cent to DM3.44bn from DM3.19bn. Pharmaceutical sales climbed 10 per cent to DM1.91bn; laboratory products were up 6 per cent to DM833m; and special chemicals advanced 4 per cent at DM656m. Merck said it expected business in the second half to show "a further positive development".

AFX News, Darmstadt

Mixed outlook at Bergesen

Bergesen, Norway's largest shipping company, yesterday forecast a mixed outlook for its businesses for the rest of the year, in spite of a more than two-fold rise in operating profits in the first six months. The group booked operating profits of NKr253m in the period to June 30, compared with NKr102m a year ago. Profit before tax was NKr153m against NKr264m.

The pre-tax figure was below expectations of about NKr215m. "The operating profit showed an improvement during the first half of 1996, even though the results in the second quarter were weak," Bergesen said. "Tanker results improved but not sufficiently to make a profit, while dry bulk made a good profit. The largest gas carriers improved." It said gas carriers showed operating profits of NKr244m, up almost 25 per cent from NKr196m in the 1995 period. Tankers recorded an operating loss of NKr29m against a deficit of NKr161m, while dry bulk operating profits rose slightly to NKr34m from NKr29m.

Bergesen said it would take a loss of about NKr19m in the second half because of the sale of probo vessels and of the gas carrier Helikon.

Reuter, Oslo

Scania gain leaves Investor cash-rich

By Hugh Carnegy in Stockholm

Investor, the main investment vehicle of Sweden's Wallenberg family, said yesterday its flotation earlier this year of 55 per cent of Scania, the truckmaker, had left it with a cash hoard of SKr10.8bn ($1.6bn). This put it in a strong position to make acquisitions, the group said.

Mr Claes Dahlbäck, chief executive, said Investor, which holds the Wallenbergs' controlling investments in leading Swedish companies such as Astra, Ericsson, Electrolux and Stora, was not planning anything "dramatic or significant in the near term".

However, he added: "We now have a good war chest for investments with the cash and a $1bn revolving bank credit we negotiated recently. It is not burning a hole in our pocket, but we have to find some better use for it."

Investor's half-year results showed the financial strength the Scania sale in March injected into the group. The net cash pile represents a swing from net debt of SKr8.7bn at the same stage a year ago.

The SKr12.4bn capital gain from the flotation lifted pre-tax profits from SKr2bn to SKr11.6bn. It allowed Investor to absorb without pain the cost of a SKr2.5bn capital injection during the period into Saab Automobile, which it jointly owns with General Motors of the US.

Investor's net worth at the end of June had risen as a result of the Scania sale, to SKr72.8bn, from SKr51.2bn a year ago.

Mr Dahlbäck said Investor would increase its presence in Hong Kong, New York and London in its search for new investment opportunities. However, he reiterated that its traditional focus on Swedish-based companies would not alter.

He said Investor would look for an international partner for Saab AB, the military and civilian aircraft maker which is the group's only remaining fully-owned operation. Saab AB has been plagued by weak sales of its two civilian commuter airliners and a lack of export orders for its JAS 39 Gripen fighter. It reported a fall in pre-tax earnings from SKr139m to SKr59m in the first half.

"There are no concrete discussions right now, but Saab needs to be part of a bigger group," Mr Dahlbäck said.

Mr Dahlbäck also said Investor was studying why the Scania sale had not diminished – as he had expected – the deep discount Investor shares trade at, compared with their net asset value. The shares yesterday slipped SKr0.50 to SKr239, well below the net asset value of more than SKr350.

Although Investor has averaged a 20 per cent total annual return for shareholders, Mr Dahlbäck said the return would rise by a further 5 per cent a year if the discount could be halved.

Krupp cautious following 20% fall

By Michael Lindemann in Bonn

Interim pre-tax profits at Krupp, the German steel-based conglomerate, fell 20 per cent from DM223m to DM185m ($123.9m) and the group warned the second half would be "more difficult than previously assumed".

Krupp blamed the lower results on a worse than expected economic environment that hit steel and steel-related industries particularly hard. Margins in non-specialist steel were "unsatisfactory", after sales fell 21 per cent and new orders declined 14 per cent.

There were some "recent positive developments" in the economic outlook, but it was "still not clear whether this would lead to a economic upturn", the group said.

However, despite generally worse economic prospects, Krupp said it would report full-year profits that would permit an "appropriate dividend". The group reported net profits of DM505m last year and paid a DM5 dividend, its first.

All six divisions reported profits, but Krupp said higher profits in the engineering, plant and automotive divisions had not offset lower income in the three steel-related units.

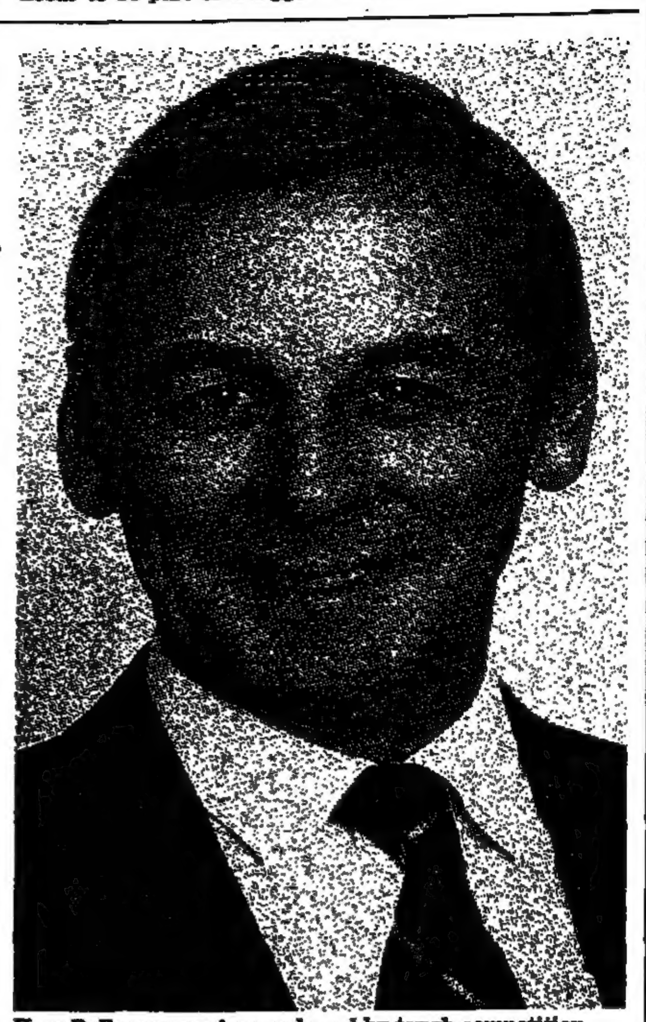
Group new orders rose 2 per cent to DM12.7bn in the six months to the end of June, attributed to the acquisition of the plant specialist Uhde, the J. H. Bachmann shipping company and the increased stake in Acciai Speciali Terni, the Italian specialist steelmaker. Sales rose 1 per cent to DM11.7bn for the same reasons.

Krupp's debts, which stood at DM3.6bn at the end of last year, rose to DM4.3bn so the group could finance investments worth DM1.5bn in the first six months. Krupp said it planned to reduce these debts later in the year.

A final agreement on the sale of Orenstein & Koppel, the construction and mining machinery specialist which the US group Caterpillar plans to buy, is expected in the third quarter, the company said. Krupp is also in talks with the Italian group Rejna about the takeover of two units of Hoesch Federn, the suspension specialist, which Krupp was ordered to sell by the cartel authorities.

Falling interest rates benefit Nordbanken

By Greg McIvor



Hans Dalborg: margins weakened by tough competition

Nordbanken, the partially privatised Swedish bank, said yesterday that falling interest rates and low loan losses helped push operating profits up 18 per cent in the first half.

The bank, a candidate for further privatisation by the Swedish government, said operating profits rose from SKr3.2bn to SKr3.8bn ($570m) after a strong second quarter.

Nordbanken said the improvement reflected increased lending to corporate clients and the public sector, as well as buoyant earnings from its bond portfolio.

The figures included a gain of more than SKr300m from loan loss provisions that were written back.

The bank's shares rose SKr1 to SKr137 after the results, which were ahead of analysts' forecasts. Earnings per share rose almost SKr2 to SKr12.45, in spite of only marginal growth in operating income, from SKr7.64bn to SKr7.69bn.

Nordbanken said rationalisation efforts lifted productivity by more than 6 per cent. Net interest income was weaker but rose 4 per cent from the first to the second quarter due to increases in volumes.

Loan losses declined from 0.54 per cent of total lending to 0.22 per cent, and non-performing loans were SKr3.4bn, or 1.3 per cent of lending. Adjusted for acquisition effects, sour credits were 7 per cent lower than at year-end.

The bank said a general decline in interest rates facilitated settlements of problem loans and helped lift net income from financial operations from SKr6m to SKr664m. The capital ratio was 13.7 per cent and Tier 1 capital was 9.7 per cent.

Mr Hans Dalborg, Nordbanken chief executive, said tough competition had weakened lending and deposit margins. He said Swedish banking was facing a restructuring and signalled that although Nordbanken "still had some way to go" in lifting productivity, it would participate in rationalisation moves.

No date has been set for Nordbanken's further privatisation and Mr Dalborg declined to speculate on when the government might seek to dilute its holding. The government, which took over Nordbanken in 1992 during Sweden's banking crisis, sold a 30 per cent tranche for SKr5.9bn last year.

Separately, Statshypotek, Sweden's largest mortgage bank, overcame lower net interest income to report an increase in first-half operating profits from SKr1.4bn to SKr1.55bn.

Net interest income declined from SKr17.85bn to SKr16.1bn. Statshypotek, which has been frequently linked as a potential merger target for Nordbanken, said volumes had suffered from tougher competition from lending institutions.

Föreningsbanken, the Swedish commercial bank, also reported a rise in operating profits, from SKr422m to SKr524m. It said retail lending rose 5 per cent and deposits advanced 8 per cent, but interest margins contracted. Loan losses shrank 31 per cent.

Strong gains for Swedish insurers

By Hugh Carnegy

Skandia and Trygg-Hansa, Sweden's two largest insurance groups, reported big increases in profits in the first half of the year, in spite of rising competition in the country's financial services sector that has squeezed margins.

Skandia, the biggest group with extensive operations outside Sweden, said pre-tax profits had risen by 64 per cent, from SKr940m at the same stage last year to SKr1.54bn ($233m).

Trygg-Hansa said its pre-tax earnings rose a more modest 27 per cent from SKr1.2bn to SKr1.52bn.

But investors were unimpressed by Skandia's figures, driving the group's shares down by more than 4 per cent to close down SKr7.00 on the day at SKr157.50.

By contrast, there was a positive response to Trygg-Hansa's result, with its shares rising SKr3.00 to SKr116.

The disparity appeared to be explained by a slump in Skandia's core non-life and reinsurance earnings.

Premiums written during the period were down from SKr13.6bn to SKr12.6bn – but the return tumbled from SKr944m to SKr79m when investment income was stripped out.

Skandia blamed high claim costs, especially in the domestic and commercial sectors in the Nordic region, which was hit by a hard winter in the early months of the year.

Trygg-Hansa also saw a reduction in non-life premiums from SKr2.7bn to SKr2.5bn. But its non-life return rose from SKr294m to SKr367m due, Trygg said, to lower claims and lower operating expenses.

In life and unit-linked business, Skandia increased premiums from SKr10.9bn to SKr15bn, with strongest growth experienced in the US, which accounted for SKr8.7bn of the total, a near doubling over the same stage last year.

Operating profits from life and unit-linked operations rose from SKr563m to SKr811m.

A large part of both groups' profits were attributed to investment income.

Excluding income allocated to insurance operations, Skandia reported an increase from SKr641m to SKr1.46bn, while Trygg-Hansa showed a rise from SKr1.1bn to SKr1.34bn.

Both insurers have in the past 18 months opened small banks, taking advantage of deregulation to invade the markets of the big retail banks, which in turn have been increasing their share of the insurance-related savings sector.

SkandiaBanken, the leading "niche bank", reported a profit of SKr37m in the first half, up from SKr31m a year ago. Its customer base more than doubled to 93,000, with deposits rising from SKr2.9bn to SKr5.7bn.

Trygg-Banken, which was founded much later, showed a loss of SKr20m in the first half. It had 17,000 customers and deposits of just SKr1bn.

MoDo plays down forecasts of recovery

By Greg McIvor in Stockholm

MoDo, the Swedish forestry products company, said yesterday that orders for wood pulp and paper grades were increasing, but cautioned against expectations of a recovery in profitability in the remainder of the year.

"I am not sure the turnaround will come towards the end of the year. It is premature to draw conclusions from the increases in order flow and deliveries we have seen," Mr Bengt Pettersson, MoDo chief executive, said.

Orders for pulp, fine paper and paperboard grew in the second quarter while pulp and fine paper prices rose. But he stressed it was unclear how much of the improvement was prompted by stock build-ups rather than underlying consumption growth.

The remarks came as MoDo announced a 36 per cent drop in first-half profits, caused by lower volumes and higher output costs. Mr Pettersson's views echoed those of UPM-Kymmene of Finland, Europe's biggest forestry group, which last week questioned bullish forecasts by some in the industry of an upward swing in the business pendulum later this year.

Pre-tax profits fell from SKr2.6bn to SKr1.66bn ($251m) and turnover declined from SKr11.6bn to SKr10.2bn. The figures were slightly above market expectations and MoDo's shares rose SKr1.50 to SKr183.

Pre-tax profits in the second three months of SKr803m were only 6 per cent below the first-quarter figure, hinting at a gradual stabilisation amid recovering pulp prices.

Half-year operating profits fell from SKr2.9bn to SKr1.9bn, and included a SKr948m gain from foreign currency hedging.

MoDo's pulp operations were hit by sagging demand and low prices, forcing downtime at some mills. However, orders revived in recent months and stocks had fallen steeply.

Newsprint prices were steady, although deliveries fell 5 per cent and the division was alone in reporting increased earnings. Its operating profit rose from SKr592m to SKr955m.

However, the outlook for newsprint – easily MoDo's most profitable grade – is clouded by price reductions in North America which are set to spill into Europe. MoDo said it was renegotiating prices for the second half of the year and Mr Pettersson predicted a "limited decrease" in levels.

The company said fine paper stocks held by distributors and customers were low. Market prices had fallen 20-30 per cent in the first half but had now stabilised, and a 10 per cent price increase would be implemented next month.

Operating profits in paper fell from SKr1.3bn to SKr256m on sales down 25 per cent to SKr3.66bn. Operating profits in the paperboard division declined from SKr559m to SKr303m on sales down 12.4 per cent.

Volvo finds US truck market tough to colonise

The Swedish group has encountered a string of hardships since crossing the Atlantic in the 1980s

Like some of the first settlers who crossed the Atlantic full of hope, only to be beaten by the tough conditions, the US truck market has proved harsh for Europe's commercial vehicle companies.

Yesterday's disappointing interim figures from Volvo's truck division, following last week's surprise replacement of Mr Per Lindquist as chief executive of Volvo GM Heavy Truck, the US unit, confirmed the pain is not over.

By market share, the efforts of Volvo, Renault and Mercedes-Benz to build a US presence look impressive. Together, the three European companies control more than 36 per cent of the US market for medium and heavy weight trucks, and a commanding 50 per cent for heavy (more than 15 tonnes) Class 8 vehicles.

However, their success in generating sales has seldom translated into profits. European truckmakers have racked up millions of dollars in losses in their attempts to build a presence since first buying into the US in the early 1980s.

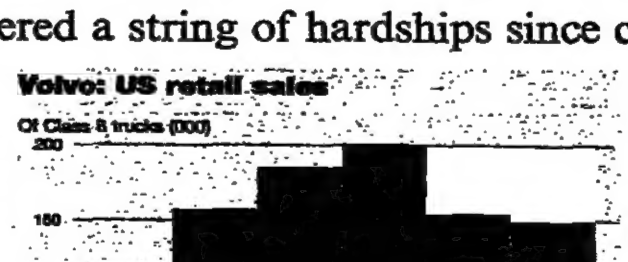
Their fortunes have been partly affected by factors beyond their control. To some extent, the Europeans were handicapped from the outset. To gain market share, they had to expand by acquisition. But the companies available, such as Mack (Renault), GM-White (Volvo), or Freightliner (Mercedes-Benz) were only for sale because of their poor performance. Renault, for example, paid less and less for each incremental shareholding it bought in Mack. Freightliner, now one of the most successful US truckmakers, was a burden to Mercedes-Benz for many years.

The Europeans' performance has also been affected by the notorious volatility of the US heavy truck market, an important indicator of economic growth. When confidence is high, the market surges: when the economy looks set to shrink, orders evaporate. In the past five years, sales of Class 8 trucks have see-sawed from a low of 119,000 units in 1992 to a peak of 201,000 last year.

Such volatility plays havoc with planning and budgeting. It requires sophisticated, flexible production techniques that can respond quickly to upturns, without losing control of overheads.

Volvo: US retail sales

Of Class 8 trucks (000)



Source: AAMA

Within the overall picture, the Class 8 market is particularly volatile. Sales of heavy trucks are commonly divided into a number of segments. The relative resilience of demand for premium sleeper vehicles – every foreigners' image of a massive US truck with lavish accommodation – has benefited Freightliner, which is relatively strong in this area. By contrast, Volvo has suffered from the relative weakness of the LTL (less than load) segment, in which it is fairly strong.

However, some of Volvo's wounds have also been self-inflicted. Company officials suggest Mr Lindquist and Mr Lars-Ake Pettersson, who resigned last week as chief financial officer of the US subsidiary, may have taken their eyes off the ball in recent months.

Their preoccupation was the introduction next month of the first in a family of new trucks for the US market, based on Volvo's successful European FH range. Preparing for the new models, which will gradually be introduced over the next two years, may have distracted them from reacting quickly enough to Volvo's more immediate US problems.

Sales of Volvo's Class 8 trucks dropped 31 per cent in the first six months of this year, compared with a 15 per cent decline in the overall Class 8 market.

To deal with the problem and rebuild customer confidence ahead of next month's crucial launch, Volvo last week announced that Mr Karl-Erling Trogen, its chief executive, would be taking responsibility for the US operation. Mr Trogen is a respected former boss of the US division who handed over the reins to Mr Lindquist when he was promoted back to Sweden in 1994.

The immediate task will be to cut costs and lift sales to staunch the US arm's losses. In the longer term, however, Volvo, like Renault and Mercedes-Benz, will try to exploit economies of scale between its international truck operations to lower development costs and simplify products.

Such developments take time. European and US hauliers still have very different tastes in vehicles, although there has been some meeting of minds. Environmental requirements in Europe have drawn closer to the stiffer US rules, while US truckers are tending to demand the comfort and interior sophistication levels their European counterparts take for granted.

However, with product replacement cycles in the truck business often exceeding 10 years, convergence takes time to make itself felt on the bottom line. Volvo says its forthcoming US range will set new standards for driving comfort. It may have to wait well beyond September for its own ride to become less rocky.

Haig Simonian

NEWS DIGEST

Australis shares surge after rescue

Shares in Australis, the financially-troubled Australian pay-TV operator, more than doubled yesterday when trading recommenced after a rescue deal was secured. However, the Australian Competition and Consumer Commission, the country's main competition watchdog, said it would still be scrutinising the proposed arrangements.

"The commission at this stage has not formed a view on the joint venture agreement and will need to examine all details of the arrangements before doing so," said Professor Allan Fels, ACCC chairman.

Under the deal, Australis agreed to set up a satellite joint venture with OptusVision, one of Australia's two cable consortia. It also secured new equity commitments of US$105m, conditional on a debt offering of around $150m-$170m going ahead. Among the parties putting up the new equity are Mr Kerry Packer's Publishing & Broadcasting group, and Sir Ron Brierley's Guinness Peat.

The deal came after weeks of negotiation, during which Australis's financial situation had appeared increasingly precarious. Its shares were regularly suspended, but yesterday gained 13 cents, to close at 25 cents.

Nikki Tait, Sydney

Bombardier ahead 30%

Bombardier, the Canadian transport equipment group that owns Shorts in Belfast and Eurorail in Europe, raised second-quarter earnings by 30 per cent to C$90.3m (US$65.75m), or 26 cents a share, from C$69.5m, or 20 cents, a year earlier on revenues of C$1.9bn, up 29 per cent. All businesses achieved higher sales, with strong profit contributions from aerospace, motorised consumer products and financial services. But the European rail equipment group "experienced operating difficulties".

First-half net profit was C$167.1m, or 48 cents a share, up 25.5 per cent from C$133m, or 39 cents, on revenues of C$3.5bn, up 24 per cent. *Robert Gibbens, Montreal*

Shake-up at Ontario Hydro

Ontario Hydro is restructuring management at its nuclear division to try to improve technical performance and raise output by 15 per cent in the next three years. It has hired an independent US nuclear power adviser to monitor widespread changes in the division. The utility has shut down its older Pickering plant, near Toronto, twice in the past two years because of a heavy water spill and technical problems. It now operates at 50 per cent of capacity. Other problems have occurred at the Bruce nuclear station.

● Hydro-Quebec, one of Canada's two biggest power utilities, posted first-half net profit of C$348m, up 13 per cent from C$308m a year earlier, on revenues of C$3.98bn, up 1.5 per cent. The provincial utility gained from cost cutting and lower interest rates, and operating expense declined 7 per cent. It is being restructured in the face of slow electricity market growth. Operating expense is being reduced by C$200m this year to provide total net profit of about C$516m. *Robert Gibbens*

Record quarter for Newbridge

Strong US and European demand for its telecommunications networking products helped Ottowa-based Newbridge Networks post record first-quarter net profit of C$61m (US$44.4m), or 72 cents a share, up 64 per cent from C$37m, or 45 cents, a year earlier, on revenues of C$286m, up 46 per cent.

Newbridge will jointly market equipment allowing simultaneous transmission of voice, data and video with BellSouth, the US regional telecommunications group.

Robert Gibbens

Woolworths unchanged

Woolworths, one of Australia's two big retailers, yesterday announced flat profits in the year to June 23, despite recording a 9.35 per cent increase in sales to just under A$14bn (US$11bn). The company made A$233.6m over the 12 months, virtually unchanged from last time's A$233.5m. Before interest and tax, earnings were 6.79 per cent higher, but this gain was whittled away by the increased interest and tax expenses.

Looking ahead, the company said that the retail market had remained "subdued" in the first two months of the current year – an experience shared with other big retail groups. *Nikki Tait*

Pioneer flat at A$252m

Pioneer, the Australian building products group which merged its petrol-retailing business, Ampol, into a joint venture with the Caltex Australia interests, yesterday announced a profit of A$252.2m (US$198.3m), after tax but before abnormals, in the year to end-June – up from A$250.2m last time.

Earnings per share were largely flat at 28.4 cents against 28.3 cents. After abnormals, profits were sharply lower at A$252.2m against A$398.7m in 1994-95. The latter figure was lifted by a A$148.5m abnormal gain, resulting from the Ampol deal.

The Ampol-Caltex business made a sharply-improved after-tax profit of A$188.1m, with Pioneer enjoying a A$69.5m dividend in respect of its 50 per cent stake. Mr John Schubert, Pioneer managing director, said the joint venture had retained its leading 30 per cent share of the market for petrol and jet fuel and met its various merger targets. "The originally forecast A$500m in merger synergy benefits is now expected to be exceeded," he added. *Nikki Tait*

Kazakhstan carrier trimmed

Kazakhstan's troubled national airline will be trimmed and cede control of the country's airports to cut costs and make room for private competitors, officials said yesterday. Mr Ildus Nazmutdinov, vice-president of Kazakhstan Aue Zholy, said his company would get rid of unprofitable services and hand over the country's airports to local governments, ending a Soviet tradition of fully-integrated airline monopolies.

Kazakhstan's state-owned airline hit hard times as soon as it split off from its parent company, the Soviet monopoly Aeroflot. A combination of mismanagement, rising costs and a drop in purchasing power among the population forced the airline to cancel routes. But Kazakhstan Aue Zholy could beat off competition because it owns all but two of the country's airports. Private airlines have complained that they pay exorbitant fees for poor service.

Renamed Kazakhstan Air, the airline will hold only a stake in regional airports and sell off aircraft and services it does not need, Mr Nazmutdinov said.

Sander Thoenes, Almaty

Flight training buy

British Aerospace Australia, part of the British defence group, is to acquire the 50 per cent stake in the Australian Air Academy, a flight training centre in Tamworth, held by Ansett, the Australian airline. The two companies have owned the facility jointly since 1990. The price was not disclosed.

The New South Wales centre has 50 aircraft, and services a number of Australian and international airlines – including Air Nippon, Malaysia Airlines, Vietnam Airlines and Air China. Ansett will continue to use the academy as a source of pilots for at least three years.

Nikki Tait

Overcapacity continues to plague US retailers

By Richard Tomkins in New York

Those who follow the US retailing sector have found bright spots amid the gloom as the results for the second quarter to July have poured in. But there is little to indicate that the sector's long-term problems are at an end.

Luxury goods retailers such as Saks and Tiffany are doing well on the back of the wealth created by the strong stock market, and with the US economy still humming along, analysts believe the sector as a whole is heading for a better Christmas than last year's dismal affair.

Yet the industry continues to be plagued by overcapacity, leading to cut-throat price competition and poor margins. And Americans have still not regained the appetite for conspicuous consumption that characterised the spending boom of the 1980s.

Significantly, perhaps, one of the best performers in the quarter to July was Wal-Mart Stores, the discount store chain that has grown to become the world's biggest retailer by meeting the needs of today's more thrifty shoppers.

It, however, has been a big contributor to the US retailing sector's problems. As each new Wal-Mart store opens, the extra floor space adds to the industry's problem of overcapacity; and the company's aggressive discounting over a wide range of goods has eaten away at other retailers' margins.

In last year's final quarter, even the mighty Wal-Mart stumbled when it reported its first profit downturn in 25 years. But since then it seems to have found its way again, posting a 12 per cent increase in net profits to $706m in the latest quarter.

Another beneficiary of the trend towards thrift has been Dayton Hudson. The company's traditional department stores performed poorly in the second quarter, but its successful Target discount store division sparkled, lifting the group's net profits from $28m to $101m.

There were strong performances elsewhere in the superstore sector. Home Depot turned in another stellar performance as its chain of do-it-yourself stores continued to expand: net profits jumped by 27 per cent to $270m. And Toys R Us, the toy superstore group, improved on its recent weak performance as its efforts to eliminate poorly performing lines paid off: net profits rose from $15m to $27m.

Even Kmart, the struggling discount store group that has suffered badly from the competition from Wal-Mart and Target, managed to end its long stream of losses, reporting net profits of $34m against a loss of $54m last time. Sales were slightly down, but cost-cutting helped the bottom line.

Performances among more traditional retailers were mixed. The best story continued to come from Sears Roebuck, now the second biggest US retailer, which is benefiting from a big revamp of its department stores under new management. Net profits were up by 26 per cent to $274m.

J.C. Penney, in contrast, suffered a 20 per cent fall in net profits to $93m as sales growth in its department stores failed to keep up with cost increases. It also suffered higher bad debt losses, a symptom of the high levels of US consumer debt.

May Department Stores was another weak performer, barely increasing net profits, from $107m to $110m. But **Federated Department Stores** did significantly better as it continued to cut costs and improve margins: it said net profits would have risen from $2.7m to $32.9m without the cost of integrating recent acquisitions.

Away from the department store sector, the troubled **Woolworth** produced better figures than expected. Revenues fell, but thanks to the new management's efforts to slim down the multifarious retailing activities to a profitable core, net losses of $11m a year earlier turned into net profits of $22m.

In the clothing sector, some of the most impressive figures came Gap, which more than doubled net profits from $32m to $66m on the back of a 29 per cent increase in sales.

Clothing companies have been particularly badly hit by a loss of interest in fashion, but Gap is prospering because it caters for the trend towards more casual clothing.

Another clothing retailer, **The Limited**, had less success in bucking the adverse trend. It increased net profits from $29m to $33m, but much of the credit went to its 83 per cent owned Intimate Brands subsidiary, with its Victoria's Secret, Bath and Body Works, Cacique and Penhaligon's stores: the clothing business turned in another loss.

US retailers: second-quarter*

	Sales ($bn) 1996	Sales ($bn) 1995	Change on year (%)	Net profit /loss ($m) 1996	Net profit /loss ($m) 1995	Change on year (%)
Wal-Mart	25.6	22.7	+13	706	633	+12
Sears Roebuck	9.1	8.2	+11	274	218	+26
Kmart	5.3	8.4	-2	34	-54	
Dayton Hudson	5.8	5.2	+10	101	28	+261
Home Depot	5.3	4.2	+27	270	213	+27
J. C. Penney	4.5	4.4	+2	93	116	-20
Fed Dept Stores	3.3	3.0	+8	-27	-67	-60
May Dept Stores	2.4	2.2	+8	110	107	+3
The Limited	1.9	1.7	+10	33	29	+16
Woolworth	1.9	1.9	-3	22	-11	
Toys R Us	1.7	1.6	+8	27	15	+72
Gap	1.1	0.9	+29	66	32	+103

*Discontinued operations excluded. Source: Company reports

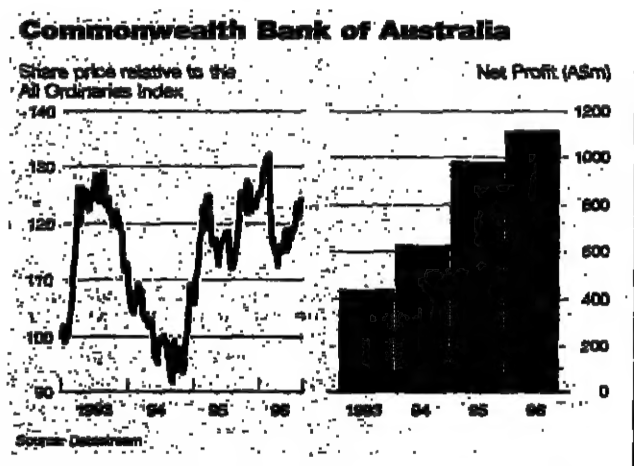
CBA rallies after results better than expectations

By Nikki Tait in Sydney

Shares in Commonwealth Bank of Australia rallied strongly yesterday after the commercial bank – now wholly-privatised – announced an after-tax profit of A$1.12bn (US$880m) in the year to end-June, up from A$983m last time.

The 13.8 per cent improvement was slightly higher than the stockmarket had expected, and Commonwealth shares rose 31 cents, to A$11.36.

Commonwealth Bank of Australia



Source: Datastream

In its recent prospectus – issued in June to accompany the federal government's sale of its remaining 50.4 per cent stake in CBA – the bank had warned that its rate of earnings growth was likely to be lower than in previous years, but added that the second-half profits should at least match those of the first, when it made A$542m after tax.

Yesterday's share price rise also benefited investors in CBA's "instalment receipts". These partly-paid shares resulted from the government's stake sale, and closed 30 cents higher on the profits news at A$7.23 – a 21 per cent premium to their A$6.00 issue price.

The A$1.12bn profit result came after a reduction in the charge for bad and doubtful debts, from A$182m a year ago to A$113m. Net interest income was up by 7.4 per cent, at A$3.4bn, while other operating income advanced 1.1 per cent, to A$1.5bn.

On the cost side, total operating expenses were kept to A$2.97bn, a 2.2 per cent increase on the previous year. There was a fall in building occupancy costs, but staff expenses rose by just under 4 per cent.

Commonwealth said that its "underlying profit" – before tax and the charge for bad debts – increased by 10.8 per cent, to A$1.89bn.

On a divisional basis, most units made contributions to the profits advance. The core banking operations, for instance, saw a 12.4 per cent increase, at A$907m, while Commonwealth Financial Services advanced 20 per cent, to A$60m. ASB Bank in New Zealand also saw a 17.9 per cent gain, at A$66m.

However, CBA also repeated warnings that the outlook for the current year was less encouraging.

Noting factors such as the degree of competition in home loan market, it said it expected earnings to be flat, although earnings per share should improve as a result of the share buy-back operation which occurred in conjunction with the government's share sale.

Bimantara climbs 48% after strong earnings at associates

By Manuela Saragosa in Jakarta

Bimantara Citra, a diversified Indonesian holding company controlled by President Suhatro's second son, announced first-half net income of Rp64.3bn ($27m), 48 per cent ahead of the Rp43.4bn posted a year earlier.

Analysts attributed the strong growth to higher revenues from associated companies. However, the results failed to lift the company's shares, as investors remain wary of companies related to the presidential family in the aftermath of last month's anti-government riots. Bimantara shares closed unchanged yesterday at Rp2,000.

Mr Bambang Trihatmodjo, President's Suharto's second son, holds a controlling stake in Bimantara Citra, which has its core business in media and broadcasting, and interests in telecommunications, automobiles and petrochemicals.

A disappointing figure for total revenues was offset by revenues from associated companies – those in which Bimantara holds less than a 20 per cent stake – which more than doubled to Rp22.7bn. Total revenues increased by 5.3 per cent to Rp325bn, while some analysts had projected growth of as much as 15 per cent.

"The top line on revenues may be a little bit surprising but it should not be interpreted as a slowdown in business," said Mr Jonathan Harris, an analyst at HG Asia in Jakarta. With Bimantara's diverse range of businesses, "it is important to look at the pre-tax figure and earnings from associated companies."

Associated companies include Satelindo, the satellite telecommunications company which competes with state-controlled Indosat in providing direct internal call services.

Bimantara did not give a breakdown of performance for each of its units. However, revenues are believed to have fallen in the automotive division, ahead of the launch later this year of a "national" car produced by Timor Putra Nasional, a company controlled by Mr Bambang's younger brother, Mr Hutomo Mandala Putra.

Head of Israeli group resigns

By Avi Machlis in Jerusalem

Mr Shlomo Grofman, managing director of Africa-Israel investments, the Israeli property, insurance and tourism conglomerate, yesterday resigned from the company following a dispute with parent company Bank Leumi over its move to sell its subsidiary Migdal, a leading Israeli insurance group.

Bank Leumi, Israel's second largest banking group, has been at loggerheads with Mr Grofman since signing a preliminary agreement three weeks ago to sell Migdal to Generali, the Italian insurance group.

Under the deal, Generali is to increase its 27 per cent holding in Migdal to up to 61 per cent, in stages, for $330m. Migdal was valued at Shk3bn ($953m) by the deal, the largest foreign investment in an Israeli company.

Bank Leumi must reduce its 52 per cent holding in Africa to 25 per cent by the end of the year, according to recent banking reforms. The bank prefers to sell its stake in Africa-Israel after spinning off Migdal, saying this will bring greater benefit for shareholders.

Mersey Docks to close Channel ferry service

The cross-Channel ferry price war claimed its first victim yesterday when Mersey Docks & Harbour said it was closing its passenger ferry service between Kent and the Netherlands.

The group said after Eurolink Ferries' first-half loss of £4.5m ($7.02m) it had decided to withdraw the service between Sheerness and Vlissingen before the end of the year. It was considering whether to continue the freight service.

The decision is a reflection of the growing market presence of Eurotunnel and the intense ferry competition on the Channel which has resulted in a price war this summer.

Three of the ferry companies – P&O, Stena Line and Hoverspeed – have been given permission by the UK government to work together. This includes merging their services, in order to compete more effectively with the Channel tunnel operator.

Mersey Docks, which only set up the service 18 months ago, said second-half losses would be about £2.5m and closing the service would cost up to a further £3m.

"The passenger numbers were just not there over the summer months and the on-board spend was lower than we thought," said Mr Trevor Furlong, chief executive. The news came as the group announced a 17 per cent drop in interim pre-tax profits to £13.9m (£16.8m) despite a 3 per cent rise in turnover to £72.8m (£70.2m) in the six months to June 30.

In addition to the Eurolink losses, the lower result reflected a 19 per cent drop in profits to £961,000 (£1.18m) from Coastal Container Line, its Irish Sea business.

Increased competition on the Irish Sea also led Merchant Ferries, in which the group has a 50 per cent stake, to report an attributable loss of £633,000 (profits of £162,000).

The profits were also held back by a £945,000 charge for a severance scheme related to the closure of Liverpool Cargo Handling and Nelson Stevedoring in July. The 10-month industrial dispute at Liverpool, which began after the group sacked 329 dock workers for refusing to cross a picket line, cost the group about £600,000.

The group said it had responsed positively to a request from Mr Bill Morris, general secretary of the TGWU general union, to reopen talks. The dispute is not officially recognised by the TGWU.

Last month, Atlantic Container Line, the port's largest container group customer, returned its business to Liverpool after it had withdrawn in June due to the industrial action.

Despite the drop in profits, the group increased the proposed interim dividend to 4p (3.65p), which is payable from earnings per share of 10.7p (12.56p).

The shares fell 11p to 404p.

Trevor Humphries

Gordon Waddell, chairman: considering whether to keep the freight service open

LIBERTY LIFE ASSOCIATION OF AFRICA LIMITED

(Registration number 57/02788/06)
(Incorporated in the Republic of South Africa)

INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 1996

A. Summarised group income statement

	Notes	Six months ended 30 June (unaudited) 1996 Rm	1995 Rm	% change	Year ended 31 December (audited) 1995 Rm
Net taxed surplus attributable to shareholders of Liberty Life	1	667,0	422,5	+57,9	1 204,1
Number of ordinary shares in issue (000's)		247 900	242 251		244 018
Number of ordinary shares on which net taxed surplus per share is based (000's)		245 863	240 135		241 605
		(Cents)	(Cents)		(Cents)
Net taxed surplus per ordinary share		271,2	175,9	+54,2	498,4
Dividends per ordinary share, cash equivalent					
– Interim (payable 9 October 1996)	6	140,0	116,0	+20,7	116,0
– Final (paid 3 April 1996)		–	–	–	140,0
Total ordinary dividends		140,0	116,0	+20,7	256,0

B. Summarised group balance sheet

	Note	30 June 1996 (unaudited) Rm	31 December 1995 (audited) Rm
Interests of shareholders of Liberty Life		13 180,7	12 567,2
Interests of minority shareholders in subsidiaries		8 605,1	7 293,4
Total shareholders' capital and reserves employed		21 785,8	19 860,6
Bonds convertible into Group equity capital	4	1 865,6	1 916,5
Total capital resources		23 651,4	21 777,1
Other long-term liabilities		4 575,3	3 877,6
Life funds (including investment and other reserves)		45 055,6	41 565,9
		73 282,3	67 220,6
Represented by:			
Investments		69 163,1	63 540,5
Government, municipal and utility stocks		13 280,7	13 026,7
Debentures, mortgages and loans		1 106,1	1 039,8
Properties		18 016,2	15 579,0
Shares, mutual fund units and interests in associated companies		35 853,4	33 572,9
Deposits and money market securities		906,7	322,1
Fixed assets		170,4	159,3
Cash resources		4 938,1	4 002,2
Other current assets		2 225,1	2 144,9
Total assets		76 497,7	69 846,9
Current liabilities		3 215,4	2 626,3
		73 282,3	67 220,6

*Converted at the rate of exchange at 30 June 1996 UK£1 = R6,71

C. Note

1. Net taxed surplus

Actuarial valuations of the life funds of The Liberty Life Group are not conducted at the half-year stage. For the purpose of this interim report, the surplus from the life insurance operations has in accordance with past practice been based on an estimate resulting in that surplus being included in the net taxed surplus attributable to shareholders at half the level achieved for the previous full financial year. Disclosed net taxed surplus attributable to shareholders of Liberty Life and net taxed surplus per ordinary share are reflected, in terms of generally accepted accounting practice based on the underlying net taxed surplus which also includes equity accounted earnings of associated companies attributable to shareholders.

In accordance with international trends to greater clarity and transparency in financial reporting for life insurance companies which impacted on Liberty Life's traditionally conservative accounting policies in the second half of 1995, the net taxed surplus attributable to shareholders of Liberty Life for the entire 1995 financial year was reflected at a level 58 per cent higher than the previous year. The increased level of surplus emanating from life insurance operations for the 1995 financial year as compared with previous years was also in response to the changed circumstances occasioned by the more realistic, though still prudent, standards of the Financial Soundness Valuation. The net taxed surplus attributable to shareholders of Liberty Life and the net taxed surplus per ordinary share for the first half of 1996 are therefore not comparable with those reflected for the corresponding six-month period of 1995.

2. Interests in subsidiaries

During the six months ended 30 June 1996 Liberty Life increased its interest in First International Trust to 93 756 482 shares (31 December 1995: 89 894 188 shares). This holding represents 50,2 per cent (31 December 1995: 48,8 per cent) of First International Trust's issued ordinary share capital.

At 30 June 1996, Liberty Life directly and indirectly holds 74,3 per cent of the ordinary share capital of Liberty International Holdings PLC ("Liberty International") (formerly TransAtlantic Holdings PLC).

3. Activities of Liberty International

An abbreviated review of the activities of Liberty International as contained in the announcement by First International Trust of its interim results for the six months ended 30 June 1996 is set out in this announcement.

4. Bonds convertible into Group equity capital

Convertible bonds comprise the funds raised in 1994 pursuant to two capital raising transactions undertaken by Liberty International (£250 million 5,5 per cent convertible bonds in February 1994) and Liberty Life (US$320 million 6,5 per cent convertible bonds in July 1994). During the six months ended 30 June 1996, convertible bonds issued by Liberty Life totalling $28 625 000 were converted into 1 242 342 ordinary shares in Liberty Life at a subscription value of R105 million. Taking into account previous conversions, US$273 565 000 of the bonds remain outstanding. In addition Liberty International repurchased and cancelled £15,4 million of its 5,5 per cent convertible bonds at a significant discount of £2,8 million.

The balance of the convertible bonds are expected ultimately to be converted into ordinary shares of Liberty International and Liberty Life respectively, thereby increasing the total shareholders' capital and reserves of The Liberty Life Group which include minority shareholders' interests relating to Liberty International.

5. Record new business of South African life insurance operations

Total new business written by The Liberty Life Group, during the six months ended 30 June 1996 amounted to a record R2 297 million, representing a 26 per cent increase over the R1 817 million recorded for the comparable period in 1995.

New annualised recurring premium income written for the first six months of 1996 was R483 million compared to 1995's first half performance of R472 million. Single premiums totalled R1 814 million (1995: R1 345 million).

6. Capitalisation share award and right of election to receive the interim cash dividend of 140 cents per share

The directors have resolved to award capitalisation shares to ordinary shareholders of Liberty Life who are registered in the books of the company at the close of business on Friday, 6 September 1996. Shareholders are entitled and will be given the opportunity to decline the award of capitalisation shares in respect of all or any part of their shareholding and instead may elect to receive an interim cash dividend in respect of the year ending 31 December 1996 of 140 cents per ordinary share.

The number of capitalisation shares to which shareholders are entitled will be determined by the ratio that 140 cents multiplied by 1,06 bears to the closing price of the company's ordinary shares on the Johannesburg Stock Exchange ("the JSE") at the close of business on Friday, 4 October 1996 averaged with the closing prices on the four business days prior to that date ("the averaged closing price"). Accordingly, shareholders who are in receipt of capitalisation shares will, based on the averaged closing price, enjoy an advantage of approximately 6 per cent over the cash dividend.

To the extent that capitalisation shares are issued in the above circumstances this will reduce Liberty Life's liability in respect of the 12½ per cent Secondary Tax on Companies which will benefit shareholders pro rata.

The new ordinary Liberty Life shares which will be issued pursuant to the capitalisation share award will be issued as fully paid up by way of a capitalisation of part of Liberty Life's distributable reserves. Subject to the approval of the JSE and the London Stock Exchange, a listing for the new Liberty Life ordinary shares to be issued pursuant to the capitalisation share award will commence on Wednesday, 9 October 1996. Documentation dealing with the capitalisation share award and the interim cash dividend election form will be posted to shareholders on or about Thursday, 12 September 1996. In order to be valid, completed election forms will need to be received by the company's South African or United Kingdom transfer secretaries, as the case may be, by no later than Friday, 4 October 1996. Should such election not be timeously received, Liberty Life will automatically issue capitalisation shares to all relevant shareholders concerned.

All fractions of new capitalisation shares will be aggregated and sold on the JSE for the benefit of all relevant shareholders.

It is expected that share certificates in respect of the new Liberty Life ordinary shares and, if applicable, cheques in respect of the interim cash dividend and fractions will be posted to shareholders on or about Wednesday, 9 October 1996.

7. Comment

Following the excellent results produced for the first half of 1996 and subject to no unforeseen factors arising during the remaining months of the financial year, the net taxed surplus and results for 1996 are expected to show a further improvement over the level attained in 1995.

D. REVIEW OF THE ACTIVITIES OF LIBERTY INTERNATIONAL HOLDINGS PLC ("Liberty International")

1. Results of Liberty International for the six months ended 30 June 1996

The first six months of 1996, in which TransAtlantic Holdings changed its name to Liberty International, saw further encouraging progress in all sectors of its business and a continuation of the excellent results which Liberty International has recorded for the past three years.

Profit before taxation for the six-month period increased by 12 per cent from £50,3 million to £56,1 million. Earnings per share increased by 55 per cent from 8,49p to 13,15p (on a reduced number of ordinary shares in issue following the repurchase and cancellation of 40 million ordinary shares in 1995) due to strong performance at the pre-tax level and helped by a sharply reduced tax rate as the Group's liquid position enabled prior year tax losses to be utilised. Earnings per share, excluding £9,5 million of exceptional profits in the period, increased by 18 per cent from 8,2p to 9,69p.

The most significant factor in the outstanding half-year results was the dramatic increase in rental income from the UK regional shopping centre portfolio, owned by Liberty International's effective 72 per cent owned subsidiary Capital Shopping Centres PLC, with a remarkable 84 per cent increase from £20,8 million to £38,2 million for the six-month period. This included a first time contribution of £8,5 million from the MetroCentre acquisition in the Newcastle area during October 1995. Excluding the MetroCentre, shopping centre investment income increased by 43 per cent, with the first cycle of rent reviews at the flagship, Lakeside, Thurrock, located on the eastern sector of London's orbital M25 motorway, as the main contributor.

2. Financial Services – Liberty International

The Liberty Life Group Chairman's statement for 1995 referred to the Millennium Project, which is in essence a long-term plan for the internationalisation and ultimately globalisation of the Liberty International and Liberty Life Groups.

Since the disposal of the 50 per cent interest in Sun Life in August 1995, Liberty International has been in a development phase as it prepares for a suitable acquisition opportunity to deploy the Group's significant cash balances most effectively. As part of the development phase, Liberty International has, inter alia, undertaken the following activities:

- The establishment of a specialist pensions operation in the UK as one of the key strategic moves of the year to date. Significant progress has been made in building a strong and highly professional management team. It is anticipated that the business will be launched in the last quarter of the year and will be focused on providing new and innovative products and services in what is a rapidly changing pensions market which is likely to dominate financial services for the foreseeable future. The technology-based operation will represent a prototype for the retirement savings company of the future.
- The launch of Liberty International Jersey, where the Group has received approval to establish an asset management business. In addition, the Group has received "in principle" consent to conduct an offshore life business from Jersey, and will establish this activity once the necessary Jersey legislation permitting life insurance business on the island is passed, currently expected to take place in the second half of 1996.
- In April, Liberty International Jersey announced the launch of its first Jersey fund, an International Managed Fund, following the remittance of funds by Liberty Life Association of Africa Limited by way of asset swaps, in conjunction with a new international product launch in South Africa. This fund marks the first in a series of initiatives planned by Liberty International Jersey for 1996.

3. Prospects of Liberty International

The change of name from TransAtlantic to Liberty International represents a milestone in the rapid development of the Company from its formation in 1980 with £20 000 of capital, to its current powerful financial position with capital resources exceeding £1,8 billion.

The new name of Liberty International will undoubtedly help to promote the appropriate image for the company, as it develops its life insurance and financial services activities as the international arm of its parent, Liberty Life.

The rapid growth in rental income, as the Group's regional shopping centres continue to gain market share, provides a strong foundation for the Group's development of financial services activities in the asset management, life insurance and pensions area. The Group looks forward to a continuation of the excellent results over the past few years as it embarks on some promising new activities and continues its efforts to acquire an attractive major vehicle to fully restore, as the next millennium approaches, the primary objectives and focus of Liberty International on the international life insurance and financial services sector.

On behalf of the board

D Gordon *(Chairman)*
A Romanis *(Managing Director)*

Johannesburg
21 August 1996

South African transfer secretaries
Mercantile Registrars Limited
5th Floor, 94 President Street
Johannesburg, 2001
PO Box 1053
Johannesburg, 2000

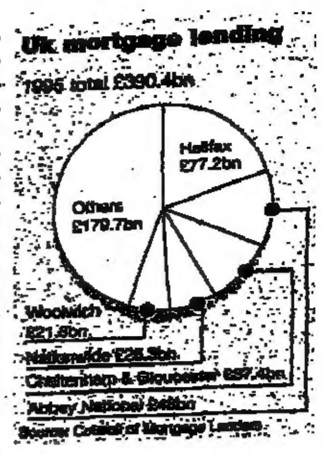
United Kingdom transfer secretaries
Independent Registrars Group Limited
Bourne House
34 Beckenham Road
Beckenham
Kent BR3 4TU

These results and an overview of the Liberty Life Group are available on Internet at http//www.edata.co.za

INCE

LEX COMMENT

Building societies



The UK mortgage market is really two markets wrapped into one. Even with mortgage rates at a 30-year low, margins on existing business remain fat at 2-2½ per cent, since deposit rates have fallen even faster. But overcapacity and sluggish volumes have triggered a fierce battle for new customers, which has squeezed margins on new loans to 1½ per cent or less. This has split the building societies into hawks and doves. Mutuals, like Nationwide, or those with a low cost base, such as Northern Rock, have gone for market share. Bradford & Bingley, a fiercely committed mutual, yesterday announced a 90 per cent increase in mortgage advances. Its market share is up from 3 to 7 per cent.

By contrast, the Halifax and Abbey National, with existing or future shareholders to think about, have had little to do with new business. Excluding acquisitions, Halifax's 1996 market share has fallen from 20 per cent to 3 per cent. Short term, the strategy of milking an existing high-margin loan book may make sense. But only if the cash can be deployed into other high quality earnings. Even after seven years as a bank, 60 per cent of Abbey National's business comes from UK mortgages. Halifax, which has barely started to diversify, looks exposed. The rush to convert is beginning to look less smart.

Unilever not to lift Lyons Irish bid

By John Murray Brown in Dublin

Unilever Ireland, the Irish subsidiary of the Anglo-Dutch consumer goods group, said yesterday it would not raise its 323.3p a share offer for the 25 per cent minority stake in Lyons Irish Holdings, despite a poor level of acceptances from shareholders in the tea and coffee distributor.

The company said the offer for the remaining 7.5m shares, worth about I£25m ($40.2m) would stay on the table until further notice.

By the first closing date on Tuesday, Unilever had acquired 78,963 shares, or a little more than 1 per cent, of the LIH shares it did not already own.

A statement from Lyons accused Unilever of ignoring the wishes of the shareholders after what it described as "a resounding rejection" of Unilever's offer.

Mr Michael Flood, a director with Deutsche Morgan Grenfell, advisers to Unilever Ireland, said the offer would not be increased, despite suggestions to the contrary. He said the company had expected a poor response following a recommendation from the LIH board to reject the offer.

He also indicated that Unilever, which owns 75 per cent of LIH through its acquisition in February of a stake held by Allied Domecq, had no plans to appoint directors to the LIH board. The latest offer is at a similar level to that paid to Allied Domecq.

NEWS DIGEST

Baring Asset looks at Kepit

Baring Asset Management has put proposals to the board of the Kleinwort European Privatisation Investment Trust (Kepit) to take over management of the fund.

It is not making a full bid for Kepit, a £500m ($780m) investment trust, nor is it proposing radical restructuring such as unitisation. It has simply made an offer for the investment management contract. Barings has a strong record as a manager of European equities and said it believed the existing concept of a fund investing in European privatisation stocks could be made to work.

Following a hostile bid from rival investment trust TR European Growth, Kepit has invited other investment management companies to come forward with better proposals to improve returns to shareholders. Ten companies are now competing to take over the fund. *Roger Taylor*

Trio Hong Kong merger

Trio Holdings has completed the arrangements of its Hong Kong joint venture with Euro Brokers Investment Corporation and Yagi Euro Corporation. Euro Yagi Martin comprises the money broking side of Trio's Hong Kong arm, Martin Brokers (Hong Kong), and its joint venture partners. Net assets transferred by Martin Brokers amounted to HK$12.96m ($1.68m) in return for 42.5 per cent of the issued capital and HK$8.7m loan notes of the joint venture.

Marine & Merc losses cut

Marine & Mercantile Securities, the oil and gas exploration company that came to Aim in March, reported lower interim losses of £380,000, compared with £577,000.

Test drilling in the Czech Republic had begun, and in Bulgaria, where it is looking for a venture partner, the remaining exploration potential of Block 91-1 is being evaluated.

The shares rose 3p to 80p. It floated at 120p.

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COMPANIES AND FINANCE: UK

Building group upbeat about its overseas performance

Marley declines to £20.6m

By Jane Martinson

Marley, the building materials group, remains unsure about its prospects in the UK despite recent evidence of increasing consumer confidence.

Mr David Trapnell, chief executive, said although there had been signs of improvement in the past six weeks, "nobody seems convinced that it is going to take off".

He was upbeat, however, about the group's overseas performance, which now contributes almost two-thirds of sales.

Such mixed signals were echoed in the City. A number of analysts downgraded full-year profits forecaststo about £48m but theshare price hardened 2p to 126p.

Pre-tax profits slipped from £24.1m to £20.6m ($32m) in the six months to June 30, excluding a gain of £42.6m from the sale of its automotive components businesses.

The decline reflected the reduced contribution from sold operations and increased interest costs of £6.3m (£4.9m).

An upturn in the second quarter helped lift sales 3 per cent to £364.9m.

Operating profits on continuing operations rose from £24m to £25.7m, with improvements overseas offsetting weakness in the UK.

Mr Trapnell said waterproofing and rooftiles had been disappointing, with volumes down 15 per cent in the latter.

UK sales fell from 50 per cent to 36 per cent of the total while their contribution to profits halved to 20 per cent.

Syroco, the US plastic garden furniture manufacturer which Marley bought in March 1995 for $140m, benefited from a fall in raw materials prices, said Mr Trapnell. However, its contribution of about £7.5m was slightly below analysts' expectations.

Marley continues to look for bolt-on acquisitions. Mr Chris Beenham, finance director, said the group had "lots of capacity" with purchases of up to £150m not out of the question.

Gross disposal proceeds of £75m reduced net debt to £88.2m with gearing falling from 54 per cent to 29 per cent.

Earnings per share were 15.8p including the disposals and 4.2p excluding them, against 5.1p last time. The interim dividend is maintained at 2.1p.

Forecast pre-tax profits of about £48m for this year give a forward multiple of almost 13, falling to 11 in 1997, a discount to the lowly rated sector of about 19 per cent.

Trevor Humphries

David Trapnell, left, with Chris Beenham: 'lots of capacity' for acquisitions

Rentokil escapes image trap

By Geoff Dyer

Rentokil, the world's largest business services group, has decided that the rat catcher image its name projects would be out of place in hospitals, schools and kitchens.

The group, which in May acquired rival BET for £2.1bn, is expected to announce today the change of its name to Rentokil Initial and the re-branding of about half of its businesses under the Initial logo.

Initial was the brand name for BET's washroom, textile rental and cleaning businesses. During the bid battle this year Rentokil claimed the BET management had failed to exploit the brand's potential.

The group is understood to feel that it would be difficult to use the Rentokil name in catering, for example, where BET had a large business. Its security division has had problems in the US with the Rentokil tag. Over a period of several years, it intends to introduce the Initial brand name for operations such as healthcare, personnel, education and distribution. The other half of its businesses – including pest control – will retain the Rentokil brand.

Sir Clive Thompson, Rentokil's chief executive, is expected to unveil the identity and logo today as he announces the group's interim results. Helped by a two-month contribution from BET, analysts are forecasting that the group will record first-half profits of £130m-£140m before any restructuring charge related to the acquisition, compared with £99.2m last time.

The group has increased profits and earnings by more than 20 per cent in each of the last 14 years.

Slimmer margins at B&B cause 21% fall

By Motoko Rich

Bradford & Bingley, the UK's fifth largest building society, yesterday announced a 21 per cent drop in first-half profits after imposing a deliberate squeeze on interest margins which helped the group nearly double gross mortgage lending.

Pre-tax profits dropped from £79.8m to £62.7m while gross lending jumped 90 per cent to £1.29bn in the six months to June 30. Net lending increased nearly five-fold from £130m to £630m.

The society, which is committed to remaining mutual, launched a "members' benefits" package in January, pledging to give back profits of £50m in the form of lower borrowing and higher savings rates. The group said the drop in interim profits was "on target".

Bradford & Bingley's results were in contrast to those of Halifax – the society planning to convert to a public company – which earlier this week announced a sharp contraction in its share of the mortgage market. Earlier this month Abbey National, which converted to a bank in 1989, also announced a fall in its share of net mortgage lending.

As a result of its more attractive interest rates, which are among the lowest in the industry, Bradford & Bingley sharply expanded its share of the gross and net lending mortgage market.

The society's share of gross lending jumped from 2.55 per cent to 4.11 per cent and its share of net lending leapt from 1.68 per cent to 7.74 per cent. This compared with the group's share of existing mortgage stock of about 3.3 per cent.

Its net interest margin was depressed at 1.65 per cent (1.9 per cent), and net interest receivable dropped 14 per cent to £127m.

Mr John Smith, finance director, said profits were better than they would have been under the margin shaving regime because provisions for bad debts had dropped 26 per cent to £66m. He said arrears and repossessions were down because the housing market was improving and because of the society's new debt control programme.

The society, which withdrew discounts and cash gifts on mortgages earlier this year, wrote back the effect of all incentives offered, taking a £14m hit on its profits.

Assets rose 10 per cent to £16.3bn, and its Tier 1 capital ratio improved to 12.64 per cent (12.52 per cent).

"Bradford & Bingley is showing that the mutuals can grow more dramatically and maintain a very strong Tier 1 ratio, which means they can maintain this strategy for two or three years," said one analyst. "They can keep the pressure on the public players while taking market share of new net lending that is about two or three times their stock."

BTR in talks for £180m sale of Tilcon to CRH

By Ross Tieman

BTR is in advanced discussions about the sale of Tilcon, its US roadstone business, to CRH, the acquisitive Irish building materials group.

The sale, for about £180m ($280m), would advance efforts by Mr Ian Strachan, BTR's chief executive, to refocus Britain's most diversified conglomerate.

Neither party would comment yesterday, but it is understood CRH directors visiting existing subsidiaries in the north-east of the US will meet Mr Strachan.

A sale of Tilcon has been widely expected. Last year BTR sold the UK arm of the business to Minorco of South Africa for £330m.

In the US, Tilcon is a leading supplier of quarry products in nine north-eastern states.

It controls more than 40 per cent of the aggregates market in Connecticut, where its business was reinforced last year by the purchase of smaller rival Roncari Industries.

Tilcon also operates in New York, Massachusetts, Rhode Island, New Hampshire, Maine, New Jersey, Delaware and Vermont. It has a dozen quarries, more than 25 aggregate plants, a similar number of coated stone plants and more than 10 ready-mixed concrete batching plants.

Analysts estimate that last year it made operating profits of £30m-£40m on sales of £200m.

Dublin-based CRH achieved sales of I£1.91bn (£1.97bn) last year, including I£597m in the US. Like Tilcon, it is strong in the north-east of the US, where its materials business produces ready-mixed concrete and concrete products.

RESULTS

		Turnover (£m)		Pre-tax profit (£m)		EPS (p)		Dividends: Current payment (p)	Date of payment	Corresponding dividend	Total for year	Total last year
EW Fact	6 mths to June 30	5.49	(4.7)	0.832♥	(0.272♠)	3.4	(1)	0.9	Nov 15	nil	-	0.75
Marine & Merc	6 mths to June 30	nil	(0.033)	0.36L	(0.577L)	4.2L†	(10.7L)	nil	-	nil	nil	nil
Marley	6 mths to June 30	364.9	(352.6)	63.2♥	(24.1)	15.8	(5.1)	2.1	Nov 1	2.1	-	4.7
Mersey Docks	6 mths to June 30	72.8	(70.2)	13.9	(16.8)	10.7	(12.56)	4	Nov 1	3.85	-	11.5
Optometrics ☆	Yr to Mar 31	3.56	(3.89)	0.868L♠	(0.037)	7.41L	(-)	-	-	-	-	-
Pemberstone	6 mths to June 30	4.02	(-)	1.13	(-)	3.8	(-)	1	-	-	-	0.96
Richardsons West	6 mths to June 30	60.4	(51.4)	2.49	(2.39)	4.5	(4.3)	1.4	Oct 25	1.4	-	3.65
Sherco	6 mths to June 30	6.52	(5.75)	0.412	(0.313♠)	4.4†	(3.6)	2	Oct 11	2	-	4.2
Zergo Φ	Yr to April 30	8.48	(7.07)	0.215L♠	(0.013)	-	(-)	-	-	-	-	-

Investment Trusts		NAV (p)		Attributable Earnings (£m)		EPS (p)		Current payment (p)	Date of payment	Corresponding dividend	Total for year	Total last year
Dunedin Inc Growth	6 mths to July 31	761.3	(725.2)	5.96	(5.97)	18.67	(18.63)	9.56	Oct 4	9.1	-	27.5
Govett American	Yr to June 30	260.98	(185.17)	0.038	(0.042)	0.15	(0.17)	-	-	-	-	-
Jupiter Intl Green	6 mths to June 30	68.2	(59.8♦)	0.451	(0.436)	1.71	(1.73)	1.7	Sept 30	1.7	-	3.75
TR High Income	6 mths to June 30	129.42	(122.3)	0.931	(0.724)	3.79†	(3.1)	1.8✻	Oct 31	1.6	-	6.4

Earnings shown basic. Dividends shown net. Figures in brackets are for corresponding period. ♠After exceptional charge. ♥After exceptional credit. †On increased capital. ☆US currency. ΦAim stock. ♦At December 31. ✻Second interim; makes 3.2p to date.

Prices for electricity determined for the purposes of the electricity pooling and settlement arrangements in England and Wales.

½ hour period ending	Pool purchase price £/MWh	Pool purchase price £/MWh	Pool selling price £/MWh
0030	12.97	16.04	17.30
0100	9.06	11.57	12.84
0130	9.05	11.57	12.84
0200	9.05	11.57	12.84
0230	9.05	11.57	12.84
0300	9.05	11.57	12.84
0330	9.06	11.57	12.84
0400	9.06	11.57	12.84
0430	9.06	11.57	12.84
0500	9.05	9.02	9.62
0530	9.06	11.76	13.02
0600	9.06	11.76	13.02
0630	12.98	11.76	13.02
0700	13.12	11.76	13.02
0730	14.82	16.57	17.84
0800	17.38	16.95	18.25
0830	22.00	17.82	18.95
0900	63.30	18.80	20.44
0930	64.39	19.90	21.76
1000	70.85	25.31	27.25
1030	70.99	25.24	27.17
1100	69.10	20.17	22.07
1130	70.51	20.54	22.31
1200	76.42	25.71	27.71
1230	75.99	34.77	36.69
1300	69.14	33.92	35.85
1330	37.89	18.56	20.13
1400	32.18	18.02	19.49
1430	31.00	17.74	19.16
1500	30.18	17.60	19.09
1530	30.94	17.70	19.11
1600	37.38	17.78	19.22
1630	41.38	18.00	19.49
1700	43.04	18.16	19.89
1730	38.16	30.22	31.89
1800	28.08	29.87	31.27
1830	21.59	17.03	18.37
1900	18.85	16.94	18.22
1930	18.18	16.84	18.11
2000	9.38	16.57	17.84
2030	10.00	16.57	17.84
2100	23.93	16.57	17.84
2130	23.91	16.57	17.84
2200	23.15	31.47	32.74
2230	15.80	31.47	32.74
2300	16.87	26.30	[illegible]
2330	15.50	16.57	17.84
2400	16.50	16.23	17.49

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Bunds slide as hopes of rate cut fade

By Samer Iskandar and Richard Lapper

International government bond markets yesterday drifted lower after evidence of stronger economic activity. In Germany, hopes that the Bundesbank will cut its repo rate today are fading.

■ German bunds fell sharply, dragging most European markets in their wake, after publication of the IFO business confidence survey. The survey showed a rise in the German business climate index from 90.4 in June to 94.1 in July. Most analysts were expecting a about 91.0.

Mr Michael Burke, a senior economist at Citibank, said "German economic recovery is under way. The only question is how strong it is."

"In this climate, a rate cut would appear to be politically motivated," said another observer. "They [Bundesbank board members] would go to great lengths to avoid giving this impression."

GOVERNMENT BONDS

Mr Julian Jessop, chief European economist at Nikko Europe, believes that even if the Bundesbank decided to ease, "the markets would dismiss any cut as the last in the current cycle". However, Mr Jessop does not rule out a surprise: "Never forget that the Bundesbank loves to do the unexpected."

Liffe's September bund future settled at 97.45, down 0.60. In the cash market, the 10-year benchmark bond fell 0.66 to 99.23.

■ The German market's dismal performance allowed most European bonds to outperform bunds. Although French OATs fell about 0.5, their 10-year yield spread over bunds narrowed by 4 basis points to 3.

French short-term interest rates, however, reflected the increasing conviction that hopes of a rate cut by Banque de France had been dashed. All futures contracts on three-month Pibor rates expiring in the next twelve months fell by between 0.07 and 0.09. "Only a rate cut in Germany would have allowed one in France," a French trader said. "The fall [in Pibor contracts] reflects the belief that this is now less likely."

■ Italian bonds, which had fallen sharply in previous days, were underpinned yesterday by bullish inflation data. Liffe's September BTP future fell 0.43 to close at 115.28. In the cash market, although the 10-year benchmark BTP fell by 0.36 to 100.67, its yield spread over the equivalent bund none the less tightened by 3 basis points to 326. Consumer price statistics showing modest rises in six large cities were released, reinforcing economists' forecasts that CPI growth in August is likely to have slowed to less than 3.5 per cent annually.

■ UK gilts fell with other European markets, despite bullish inflationary data. Liffe's September long gilt future settled at 107$\frac{15}{32}$, down $\frac{17}{32}$. Retail sales fell 0.6 per cent in June, against market expectations of a 0.5 per cent rise. The data showed consumer-led inflationary pressures are likely to be weaker than previously thought. "This would have justified a rise", said one analyst. "But gilts could not swim against the European [bearish] tide."

■ The latest evidence of faster economic recovery in the US came late on Tuesday, when the Johnson Redbook survey showed a 1.2 per cent rise in retail sales in the first two weeks of August. "The US economic slowdown could be a mirage," said Mr Burke at Citibank. Mr Adam Chester, bond strategist at Yamaichi International in London, said: "We are seeing early signs that the economy is bouncing back." There were also indications that hedge funds, significant buyers of Treasuries in the past two months, were using any uptick in prices to take profit.

By early afternoon in New York the benchmark 30-year Treasury was down nearly half a point, with the yield up 3 basis points to 6.88 per cent. The 10-year bond was down $\frac{5}{16}$ at 102$\frac{13}{32}$. In Chicago, the September T-bond contract was at 110$\frac{21}{32}$, down $\frac{7}{32}$.

Cautious overseas response to Russia sale

By Richard Lapper, Capital Markets Editor

Foreign investors responded cautiously to yesterday's auction of Rbs11,500bn ($2.2bn) in Treasury bills by the Russian government, the first such public sale since rules governing non-resident participation in the market were liberalised this month.

Foreigners bid only Rbs500bn, well short of the Rbs3,000bn on offer to them, with dealers and analysts attributing the poor response partially to difficulties with documentation.

"The procedures are pretty complicated and many people were still unclear about the mechanisms and waiting to see how the auction went," said Mr Daniel McGovern, head of emerging market research at Merrill Lynch.

"We were not surprised and would expect a significantly higher level of participation at the next auction [the sale of Rbs7,000bn on August 28]," he added.

Since August 15, non-resident investors have been allowed to open rouble accounts at selected Russian banks, which they can use to buy and sell Treasury bills.

There is no limit on the amount that can be repatriated from these accounts. Foreign currency purchases must be made through forward deals, but these can be negotiated when investors want to repatriate profits.

It is expected in some quarters that investors who currently hold bills through unauthorised structured schemes, will begin to transfer their positions into accounts opened under the new arrangements.

Australia rallies as S&P lifts rating outlook

By Conner Middelmann and Samer Iskander

Australian government bonds rose sharply yesterday with long-term yields falling to their lowest level in 2½ years, buoyed by the new government's cost-cutting budget and Standard & Poor's decision to upgrade its foreign-currency rating outlook for Australia from stable to positive.

The outlook change reflected the substantial fiscal tightening implied by Tuesday's budget, the agency said. "Australia's net public external debt burden could decline markedly if this fiscal stance is maintained medium-term."

S&P's move prolonged the recent bond rally, which might otherwise have faded after a mildly disappointing budget. "The budget measures weren't quite as strong as we had expected, though the thrust of it was spot-on," said Mr James Shugg, economist at Westpac Banking Corporation in London.

"The economic assumptions [the budget] is based on are slightly over-optimistic," agreed Ms Nikki Nelson-Smith, an economist at Hambros Fund Management.

Australian bonds have performed very strongly in recent months, buoyed by the change in government in March, anticipation of a tight budget from the new conservative administration, hopes that labour market reforms would curb wage inflation, and evidence of a slowing economy.

The yield on Australia's 10-year benchmark bond stood at 7.8 per cent yesterday, down from about 9 per cent three months ago, and as high as 10.5 per cent in early 1995. The 10-year spread over US Treasuries, meanwhile, narrowed from nearly 300 basis points in March 1995 to 130 yesterday, and some observers expect this trend to continue. "We see the spread over Treasuries narrowing to around 100 basis points as the economy continues to slow," Mr Shugg said.

After GDP growth of 4.1 per cent in fiscal 1995-96, he expects growth for 1996-97 to fall to about 2.75 per cent. Underlying inflation, meanwhile, should fall from 3.1 per cent currently to about 2.5 per cent by the end of the year, he predicted – well within the Reserve Bank's 2-3 per cent range. All this could prompt another half-point interest rate cut by the Reserve Bank in October or November, he said.

But a monetary easing might damage bonds by reviving inflationary fears. "The disinflationary trend is likely nearing its bottom," said analysts at Bridgewater Associates, the US-based bond and currency traders. "The [GDP] deflator was up a noticeable 0.8 per cent in the second quarter."

Focus turns to retail investors

By Conner Middelmann

Retail investors were the focus of primary activity yesterday in the eurobond market, which saw a handful of issues.

The Kingdom of Denmark returned to the US dollar sector after a 1½-year absence, with $200m of three-year bonds, priced to yield 3 basis points over Treasuries.

INTERNATIONAL BONDS

While some dealers deemed the spread tight, lead manager Nikko said the paper offered a yield pick-up over bonds issued in July by triple-A rated Austria, which yield 4 basis points fewer than Treasuries. Denmark is rated Aa1/AA+. Nikko said the bonds were aimed largely at European retail investors keen on buying paper from a non-financial, sovereign borrower.

In the D-Mark sector, two issues were priced off the government's new five-year notes, the 5 per cent Bundesobligation 119, auctioned yesterday.

DSL Finance launched DM300m of 5⅜ per cent notes yielding 22 basis points over the new note, or 27 basis points over the previous benchmark, bobl 118. Merrill Lynch, joint lead with UBS, said the issue was well-received and the spread held steady at its launch level. Also in the five-year sector, Oesterreichische Investitionskredit, an Austrian bank which lends to industry borrowers, issued DM200m of 5.5 per cent bonds at 38 basis points over bobls at the break-even price, at which the bonds were being offered.

Lead WestLB said it placed about a third of its quota on the first day, mostly with retail investors in Austria and Germany.

Other retail-oriented offerings included a tightly-priced C$100m six-year issue for the World Bank, yielding flat to Canadian government bonds, via CIBC Wood Gundy and Paribas, and a NZ$100m offering of 8.125 per cent two-year bonds for the Commonwealth Bank of Australia via CBA.

New international bond issues

Borrower	Amount m.	Coupon %	Price	Maturity	Fees %	Spread bp	Book-runner
US DOLLARS							
Kingdom of Denmark(s)	200	6.25	100.00R	Dec 1999	0.1875R	+3(6⅝%-99)	Nikko Europe
BITAL 1996-A(a)‡	100	(a1)	100.00	1999	undisc!	-	SBC Warburg
Banco Bradesco(l)+	100	7.275	100.00R	Oct 1997	0.25R	+140(Libor)	ING Barings
Kredietbank Intl Fin(b)	50	(b1)	100.55R	Sep 2000	0.225R	+26(l)	Kredietbank Intl Group
D-MARKS							
DSL Finance	300	5.375	99.74R	Sep 2001	0.25R	+22(5%-01)	Merrill/UBS Germany
Oest Investitionskredit	200	5.50	101.988	Oct 2001	2.50	-	WestLB
SWISS FRANCS							
Tokyo Electric Power	300	4.50	102.80	Sep 2006	2.75	-	Credit Suisse
ECU							
Municipality Finance, Helsinki	60	5.125	101.40	Oct 1998	1.125	-	BIL
CANADIAN DOLLARS							
World Bank	100	6.50	99.85R	Sep 2002	0.275R	flat(7½%-01)	CIBC/Paribas Cap Mkts
NEW ZEALAND DOLLARS							
C'wealth Bank of Australia	100	8.125	100.82	Sep 1998	1.25	-	CBA

Final terms, non-callable unless stated. Yield spread (over relevant government bond) at launch supplied by lead manager. R: fixed re-offer price; fees shown at re-offer level. a) Banco Internacional Grantor Trust. Average life: 2 yrs. a1) 3-mth Libor +275bp. b) $75m launched 30/7/96 was increased to $125m. b1) 5% to 18/9/98, then 6⅛%. l) Over interpolated yield. l) Long 1st coupon. s) Short 1st coupon.

WORLD BOND PRICES

BENCHMARK GOVERNMENT BONDS

		Coupon	Red Date	Price	Day's change	Yield	Week ago	Month ago
Australia		8.750	11/06	92.2210	+0.400	7.87	8.12	8.78
Austria		6.250	05/06	96.6000	-0.560	6.84	6.31	6.55
Belgium		7.000	05/06	102.3900	-0.450	6.65	6.62	6.86
Canada *		7.000	12/06	98.0900	-0.190	7.27	7.31	7.79
Denmark		8.000	03/06	104.6400	-0.560	7.30	7.25	7.40
France	BTAN	5.500	10/01	99.4170	-0.310	5.63	5.44	5.65
	OAT	7.250	04/06	106.0200	-0.430	6.39	6.35	6.53
Germany Bund		6.250	04/06	99.2300	-0.660	6.35	6.29	6.54
Ireland		8.000	08/06	102.8500	-0.470	7.58	7.55	7.84
Italy		9.500	02/06	100.6700	-0.360	9.39†	9.32	9.13
Japan	No 140	6.600	06/01	119.8196	+0.430	2.07	2.16	2.37
	No 182	3.000	09/05	99.3276	+0.210	3.10	3.18	3.29
Netherlands		8.500	06/06	115.4700	-0.700	6.32	6.29	6.51
Portugal		11.875	02/05	118.4200	-0.210	8.70	8.66	8.74
Spain		8.800	04/06	98.8800	-0.200	8.96	8.90	8.74
Sweden		6.000	02/05	87.3893	-0.490	8.11	8.18	8.32
UK Gilts		8.000	12/00	103-16	-4/32	7.03	7.06	7.12
		7.500	12/06	97-19	-13/32	7.84	7.83	7.89
		9.000	10/08	107-29	-18/32	7.97	7.95	8.01
US Treasury *		7.000	07/06	102-26	-8/32	6.56	6.53	6.98
		6.750	08/26	98-30	-15/32	6.85	6.78	7.12
ECU (French Govt)		7.500	04/05	104.2700	-0.500	6.82	6.79	6.99

London closing, *New York mid-day. Yields: Local market standard. † Gross (including withholding tax at 12.5 per cent payable by nonresidents). Prices: US, UK in 32nds, others in decimal. Source: MMS International

US INTEREST RATES

Latest		Treasury Bills and Bond Yields			
Prime rate	8¼	One month	-	Two year	6.07
Broker loan rate	7	Two month		Three year	6.18
Fed funds	5¼	Three month	5.14	Five year	6.35
Fed funds at intervention	-	Six month	5.30	10-year	6.60
		One year	5.63	30-year	6.83

BOND FUTURES AND OPTIONS

France

■ NOTIONAL FRENCH BOND FUTURES (MATIF) FFr500,000

	Open	Sett price	Change	High	Low	Est. vol.	Open int.
Sep	123.68	123.30	-0.48	123.72	123.14	151,097	192,841
Dec	122.38	122.00	-0.46	122.38	121.66	4,756	37,823
Mar	122.24	121.86	-0.46	122.24	121.96	1,294	6,677

■ LONG TERM FRENCH BOND OPTIONS (MATIF)

Strike Price	Calls Sep	Calls Oct	Calls Dec	Puts Sep	Puts Oct	Puts Dec
120	-	-	-	0.01	0.19	0.64
121	2.32	-	-	0.02	0.37	0.84
122	1.35	-	1.18	0.03	0.71	1.21
123	0.50	0.29	0.72	0.22	1.25	-
124	0.10	0.08	0.41	0.80	-	-

Est. vol. total. Calls 12,782 Puts 25,758. Previous day's open int., Calls 125,462 Puts 145,165.

Germany

■ NOTIONAL GERMAN BUND FUTURES (LIFFE)* DM250,000 100ths of 100%

	Open	Sett price	Change	High	Low	Est. vol.	Open int.
Sep	97.69	97.45	-0.60	98.04	97.41	214497	221649
Dec	97.14	96.56	-0.61	97.14	96.56	6678	37532

■ BUND FUTURES OPTIONS (LIFFE) DM250,000 points of 100%

Strike Price	Calls Sep	Calls Oct	Calls Nov	Calls Dec	Puts Sep	Puts Oct	Puts Nov	Puts Dec
9700	0.46	0.38	0.60	0.80	0.01	0.60	1.04	1.24
9750	0.06	0.20	0.41	0.60	0.11	1.14	1.35	1.54
9800	0.01	0.11	0.27	0.44	0.56	1.55	1.71	1.89

Est. vol. total, Calls 22204 Puts 33757. Previous day's open int., Calls 181029 Puts 214848

Italy

■ NOTIONAL ITALIAN GOVT. BOND (BTP) FUTURES (LIFFE)* Lira 200m 100ths of 100%

	Open	Sett price	Change	High	Low	Est. vol.	Open int.
Sep	115.48	115.28	-0.43	115.64	115.08	60875	59844
Dec	114.80	114.58	-0.43	114.70	114.50	2336	8470

■ ITALIAN GOVT. BOND (BTP) FUTURES OPTIONS (LIFFE) Lira200m 100ths of 100%

Strike Price	Calls Sep	Calls Dec	Puts Sep	Puts Dec
11500	0.28	1.57	0	1.99
11550	0	1.33	0.22	2.25
11600	0	1.12	0.72	2.54

Est. vol. total, Calls 11989 Puts 10365. Previous day's open int., Calls 84258 Puts 121814

Spain

■ NOTIONAL SPANISH BOND FUTURES (MEFF)

	Open	Sett price	Change	High	Low	Est. vol.	Open int.
Sep	100.37	100.35	-0.17	100.44	100.02	82,410	48,976
Dec	99.68	99.65	-0.15	99.72	99.58	2,457	3,127

UK

■ NOTIONAL UK GILT FUTURES (LIFFE)* £50,000 32nds of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Sep	107-28	107-15	-0-17	107-29	107-13	68846	145423
Dec	107-03	106-22	-0-17	107-03	106-23	1114	8533

■ LONG GILT FUTURES OPTIONS (LIFFE) £50,000 64ths of 100%

Strike Price	Calls Sep	Calls Oct	Calls Nov	Calls Dec	Puts Sep	Puts Oct	Puts Nov	Puts Dec
107	0-33	0-41	1-01	1-20	0-03	0-61	1-21	1-40
108	0-02	0-18	0-38	0-57	0-36	1-38	1-58	2-13
109	0	0-07	0-21	0-37	1-34	2-27	2-41	2-57

Est. vol. total, Calls 5133 Puts 4341. Previous day's open int., Calls 32668 Puts 28234

Ecu

■ ECU BOND FUTURES (MATIF) ECU100,000

	Open	Sett price	Change	High	Low	Est. vol.	Open int.
Sep	90.26	91.90	-0.38	92.26	91.80	1,919	6,389
Dec	90.38	90.06	-0.38	90.38	90.38	1,000	1,797

US

■ US TREASURY BOND FUTURES (CBT) $100,000 32nds of 100%

	Open	Latest	Change	High	Low	Est. vol.	Open int.
Sep	110-20	110-21	-0-07	111-01	110-17	194,737	429,388
Dec	110-14	110-08	-0-06	110-16	110-02	40,746	35,828
Mar	109-34	109-20	-0-10	109-25	109-30	5,233	4,282

Japan

■ NOTIONAL LONG TERM JAPANESE GOVT. BOND FUTURES (LIFFE) Y100m 100ths of 100%

	Open	Close	Change	High	Low	Est. vol.	Open int.
Sep	120.62	-	-	120.80	120.60	1301	n/a
Dec	119.82	-	-	119.63	119.64	1301	n/a

* LIFFE futures also traded on APT. All Open interest figs. are for previous day.

FT-ACTUARIES FIXED INTEREST INDICES

Price Indices UK Gilts	Wed Aug 21	Day's change %	Tue Aug 20	Accrued interest	xd adj. ytd		Low coupon yield Aug 21	Aug 20	Yr. ago	Medium coupon yield Aug 21	Aug 20	Yr. ago	High coupon yield Aug 21	Aug 20	Yr. ago
1 Up to 5 years (22)	121.80	0.00	122.17	2.15	8.54	5 yrs	7.15	7.13	7.71	7.23	7.20	7.72	7.31	7.28	7.82
2 5-15 years (20)	147.65	-0.29	148.28	2.76	6.83	15 yrs	8.08	8.01	8.15	8.06	8.02	8.18	8.10	8.06	8.27
3 Over 15 years (8)	160.94	-0.57	161.87	2.21	8.73	20 yrs	8.15	8.11	8.18	8.16	8.10	8.21	8.18	8.14	8.29
4 Irredeemables (6)	185.51	-0.47	186.39	3.29	7.36	Irred.†	8.20	8.16	8.20						
5 All stocks (56)	142.40	-0.24	142.89	2.46	7.12										

Index-linked	Wed Aug 21	Day's change %	Tue Aug 20	Accrued interest	xd adj. ytd		Inflation 5% Aug 21	Aug 20	Yr. ago	Inflation 10% Aug 21	Aug 20	Yr. ago
6 Up to 5 years (1)	199.90	0.01	199.89	2.86	4.42	Up to 5 yrs	2.05	2.04	2.78	0.35	0.33	0.66
7 Over 5 years (11)	189.13	-0.24	189.58	0.96	3.43	Over 5 yrs	3.67	3.64	3.55	3.44	3.42	3.35
8 All stocks (12)	189.24	-0.23	189.68	0.99	3.44							

Average gross redemption yields are shown above. Coupon Bands: Low: 0%-7¾%; Medium: 8%-10¾%; High: 11% and over. † Flat yield. ytd Year to date.

FT FIXED INTEREST INDICES

	Aug 21	Aug 20	Aug 19	Aug 16	Aug 15	Yr ago	High*	Low*
Govt. Secs. (UK)	93.14	93.33	93.41	93.43	93.11	93.46	96.34	91.59
Fixed Interest	113.69	113.75	113.76	113.82	113.39	112.13	115.23	110.74

* for 1996. Government Securities high since compilation: 127.4 (09/01/35), low 49.18 (03/01/75). Fixed Interest high since compilation: 133.87 (21/01/94), low 50.53 (03/01/75). Basis 100: Government Securities 15/10/26 and Fixed Interest 1928. SE activity indices rebased 1974.

GILT EDGED ACTIVITY INDICES

	Aug 20	Aug 19	Aug 16	Aug 15	Aug 14
Gilt Edged bargains	78.4	74.4	74.6	72.2	75.0
5-day average	74.9	75.6	74.2	74.9	75.2

FT/ISMA INTERNATIONAL BOND SERVICE

Listed are the latest international bonds for which there is an adequate secondary market. Latest prices at 7:00 pm on August 21

[illegible]

UK GILTS PRICES

[illegible]

Other Fixed Interest

[illegible]

CURRENCIES AND MONEY

MARKETS REPORT

D-Mark firmer after hopes of rate cut dented

By Richard Adams

Currency markets did a rapid about-turn yesterday after expectations of a possible interest rate cut by the Bundesbank today were dampened by stronger than expected economic news.

Traders became less confident about the likelihood of a cut in the repo rate at the bank's central council meeting today, while others revised down their estimates of the size of the reduction following a jump in the Ifo business climate index.

This caused the D-Mark to strengthen against most major currencies by close of trading in London yesterday.

Higher interest rate expectations also led to falls of 10-13 basis points in some three-month Euromark contracts.

The D-Mark rose against the dollar to DM1.481 in London, from DM1.489 at the day's close on Tuesday.

It also strengthened against sterling, finishing at DM2.297 from DM2.304, and against the Japanese yen, at Y73.10 from Y72.74.

Peripheral European currencies also suffered against the D-Mark. The lira lost ground to close at L1,023, from L1,019 previously, while the French franc moved out to FFr3.421 from FFr3.416.

In Europe the exception was the Swiss franc as it benefited from its role as a safe haven currency. On-going concern about the health of Russian President Boris Yeltsin caused the franc to rise to SFr1.1993 against the dollar, from SFr1.2083.

■ Rumours sometimes turn out to be true, as the markets discovered yesterday.

In spite of speculation circulating on Tuesday of a higher-than-expected rise in German business confidence, there was still plenty of surprise yesterday when the monthly Ifo index proved to be buoyant.

The jump in the index to 94.1 last month, from 90.4 in June, exceeded economists' expectations of a reading of about 91.0.

The market feeling was that the figures, which suggested that a healthy economic recovery might already be under way, made it less likely that the Bundesbank would cut short-term interest rates.

Mr Ray Attrill, at 4CAST in London, said: "It's the main reason why the mark firmed, the consensus has moved away from expecting a repo rate cut."

The other good economic news for Germany was an upward revision in the index of west German industry orders to 98.3 in June, from a provisional 97.7.

Mr Paul Megguesi, a senior currency economist at Deutsche Morgan Grenfell in London, said: "This means that the German economy is well positioned going into the third quarter, the second quarter looks strong, and growth should be above 1 per cent [of GDP].

"The Ifo data, combined with the industry orders June data revision, both suggest that the economy is better positioned than had been thought."

But Mr Megguesi thought rate cuts today would not necessarily lead to a fall in the D-Mark if the market thought the cycle of rate cuts had ended.

"Whatever the Bundesbank do, it's difficult to see anything other than a trend towards a firmer D-Mark," he said.

One London trader agreed the Ifo figures had taken the wind out of the Bundesbank's sails, but thought there was still room for market disappointment today: "The expectations to cut had been so intense, but I don't think the Ifo figures got rid of all the markets' expectations.

"It could act as a deterrent. What the Bundesbank want is to keep the rate cut fantasy going, and let them dribble out on to the market over the next few months.

"There's still a good chance of nothing happening. Even a five [basis] point cut would be a disappointment."

The French franc and the Italian lira are the main candidates for any fall-out from market disappointment today. The London trader said: "Everyone in the market wants to have a go at D-Mark/Paris, and it's just a case of getting positions," refering to France's perceived difficulties in meeting the criteria for European monetary union.

Sterling

Against the D-Mark (DM per £)

Source: FT Extel

■ Pound in New York

Aug 21	—Latest—	— Prev. close —
£ spot	1.5505	1.5480
1 mth	1.5500	1.5475
3 mth	1.5485	1.5470
1 yr	1.5490	1.5482

■ OTHER CURRENCIES

Aug 21	£	$
Czech Rp	40.9128 - 40.9650	26.3920 - 26.4120
Hungary	233.569 - 233.767	150.670 - 150.720
Iran	4653.00 - 4652.60	3000.00 - 3000.00
Kuwait	0.4640 - 0.4650	0.2993 - 0.2995
Poland	4.2317 - 4.2370	2.7298 - 2.7318
Russia	8242.41 - 8251.32	5317.00 - 5330.00
U.A.E.	5.6933 - 5.6970	3.6726 - 3.6731

POUND SPOT FORWARD AGAINST THE POUND

Aug 21		Closing mid-point	Change on day	Bid/offer spread	Day's mid high	Day's mid low	One month Rate	One month %PA	Three months Rate	Three months %PA	One year Rate	One year %PA	Bank of Eng. Index
Europe													
Austria	(Sch)	16.1675	-0.0479	597 - 752	16.2336	16.1552	16.1368	2.3	16.0613	2.6	-	-	105.3
Belgium	(BFr)	47.3453	-0.1151	075 - 831	47.4790	47.3075	47.2503	2.4	47.0603	2.4	46.2703	2.3	107.4
Denmark	(DKr)	8.8795	-0.0185	749 - 841	8.9001	8.8694	8.8658	1.9	8.8454	1.5	8.7376	1.6	108.1
Finland	(FM)	6.9324	-0.0003	252 - 396	6.9420	6.9160	6.928	0.8	6.92	0.7	-	-	88.0
France	(FFr)	7.8586	-0.0128	559 - 612	7.8854	7.8453	7.8484	1.9	7.8236	1.8	7.7302	1.6	108.5
Germany	(DM)	2.2975	-0.0068	966 - 984	2.3084	2.2951	2.2931	2.3	2.284	2.4	2.2432	2.3	109.5
Greece	(Dr)	367.322	-0.856	149 - 494	368.037	366.699	-	-	-	-	-	-	67.3
Ireland	(I£)	0.9623	-0.0007	617 - 628	0.9632	0.9617	0.9618	0.6	0.9608	0.7	0.9561	0.6	99.6
Italy	(L)	2350.48	+2.02	933 - 163	2355.50	2342.08	2356.03	-2.8	2365.88	-2.6	2398.38	-2.0	78.5
Luxembourg	(LFr)	47.3453	-0.1151	075 - 831	47.4790	47.3075	47.2503	2.4	47.0603	2.4	46.2738	2.3	107.4
Netherlands	(Fl)	2.5768	-0.0074	757 - 779	2.5870	2.5764	2.5707	2.8	2.5587	2.8	2.511	2.6	107.5
Norway	(NKr)	9.9576	+0.002	496 - 656	9.9763	9.9231	9.9491	1.0	9.9321	1.0	9.8488	1.1	96.5
Portugal	(Es)	235.916	-0.418	816 - 016	236.179	235.616	236.341	-2.2	237.248	-2.3	-	-	95.7
Spain	(Pta)	194.484	-0.324	395 - 573	194.951	194.289	194.744	-1.6	195.259	-1.6	196.659	-1.1	80.8
Sweden	(SKr)	10.2301	+0.0095	197 - 405	10.2405	10.2085	10.2304	0.0	10.2305	0.0	10.2285	0.0	89.2
Switzerland	(SFr)	1.8596	-0.0059	587 - 604	1.8632	1.8576	1.8546	3.2	1.8438	3.4	1.7956	3.4	113.7
UK	(£)	-	-	-	-	-	-	-	-	-	-	-	84.7
Ecu	-	1.2222	-0.0016	216 - 227	1.2257	1.2196	1.2209	1.3	1.2179	1.4	1.2046	1.4	-
SDR†	-	1.061700	-	-	-	-	-	-	-	-	-	-	-
Americas													
Argentina	(Peso)	1.5485	+0.0034	478 - 490	1.5509	1.5454	-	-	-	-	-	-	-
Brazil	(R$)	1.5729	+0.0038	722 - 735	1.5731	1.5678	-	-	-	-	-	-	-
Canada	(C$)	2.1303	+0.0056	294 - 312	2.1312	2.1237	2.1296	0.4	2.128	0.6	2.1179	0.6	83.7
Mexico	(New Peso)	11.6070	+0.0393	001 - 139	11.6139	11.5619	-	-	-	-	-	-	-
USA	($)	1.5506	+0.0034	502 - 510	1.5511	1.5454	1.5501	0.4	1.5494	0.3	1.5501	0.0	96.2
Pacific/Middle East/Africa													
Australia	(A$)	1.9642	-0.0096	630 - 653	1.9710	1.9612	1.9667	-1.6	1.9718	-1.5	1.997	-1.7	93.6
Hong Kong	(HK$)	11.9924	+0.0259	865 - 962	11.9962	11.9557	11.9843	0.6	11.9727	0.7	11.9529	0.3	-
India	(Rs)	55.1239	+0.0436	771 - 707	55.3707	54.8771	-	-	-	-	-	-	-
Israel	(Shk)	4.8798	+0.0119	744 - 841	4.8841	4.8658	-	-	-	-	-	-	-
Japan	(Y)	167.915	+0.307	809 - 020	168.050	167.490	167.19	5.2	165.7	5.3	159.295	5.1	135.9
Malaysia	(M$)	3.8648	+0.0071	634 - 662	3.8682	3.8526	-	-	-	-	-	-	-
New Zealand	(NZ$)	2.2452	-	416 - 449	2.2488	2.2354	2.2492	-2.7	2.2576	-2.6	2.2915	-2.2	108.1
Philippines	(Peso)	40.6160	+0.1045	692 - 627	40.6627	40.5766	-	-	-	-	-	-	-
Saudi Arabia	(SR)	5.8155	+0.0126	137 - 172	5.8172	5.7968	-	-	-	-	-	-	-
Singapore	(S$)	2.1887	+0.005	873 - 900	2.1900	2.1837	-	-	-	-	-	-	-
South Africa	(R)	7.0748	+0.0062	689 - 803	7.0808	7.0467	-	-	-	-	-	-	-
South Korea	(Won)	1269.55	+1.08	899 - 011	1270.11	1265.53	-	-	-	-	-	-	-
Taiwan	(T$)	42.6609	+0.0904	476 - 742	42.6742	42.5124	-	-	-	-	-	-	-
Thailand	(Bt)	39.2411	+0.1001	226 - 596	39.2599	39.1190	-	-	-	-	-	-	-

† Rates for Aug 20. Bid/offer spreads in the Pound Spot table show only the last three decimal places. Forward rates are not directly quoted to the market but are implied by current interest rates. Sterling index calculated by the Bank of England. Base average 1990 = 100. Index rebased 1/2/95. Bid, Offer and Mid-rates in both this and the Dollar Spot tables derived from THE WM/REUTERS CLOSING SPOT RATES. Some values are rounded by the F.T.

DOLLAR SPOT FORWARD AGAINST THE DOLLAR

Aug 21		Closing mid-point	Change on day	Bid/offer spread	Day's mid high	Day's mid low	One month Rate	One month %PA	Three months Rate	Three months %PA	One year Rate	One year %PA	J.P. Morgan index
Europe													
Austria	(Sch)	10.4266	-0.0508	243 - 289	10.4575	10.4190	10.4071	2.2	10.3651	2.4	10.1816	2.3	105.2
Belgium	(BFr)	30.5335	-0.1415	170 - 500	30.6850	30.5170	30.4785	2.2	30.3635	2.2	29.8235	2.3	106.9
Denmark	(DKr)	5.7265	-0.0245	250 - 280	5.7518	5.7230	5.718	1.8	5.702	1.7	5.633	1.6	107.3
Finland	(FM)	4.4708	-0.01	673 - 743	4.4831	4.4648	4.4643	1.7	4.4523	1.7	4.4068	1.4	85.1
France	(FFr)	5.0681	-0.0184	677 - 685	5.0842	5.0656	5.0612	1.6	5.0459	1.7	4.9791	1.8	108.3
Germany	(DM)	1.4817	-0.0076	814 - 819	1.4898	1.4805	1.4792	2.0	1.4734	2.2	1.4452	2.5	109.6
Greece	(Dr)	236.890	-0.945	640 - 140	237.780	236.790	238.565	-8.5	241.915	-8.5	255.89	-8.0	66.8
Ireland	(I£)	1.6115	+0.0046	109 - 120	1.6120	1.6050	1.612	-0.4	1.6129	-0.4	1.6044	0.4	-
Italy	(L)	1515.85	-2.03	550 - 620	1524.30	1512.95	1520.6	-3.8	1528.75	-3.4	1551.5	-2.4	75.9
Luxembourg	(LFr)	30.5335	-0.1415	170 - 500	30.6850	30.5170	30.4805	2.1	30.374	2.1	29.8936	2.1	106.9
Netherlands	(Fl)	1.6616	-0.0065	615 - 620	1.6718	1.6612	1.6584	2.4	1.6513	2.5	1.6196	2.5	106.0
Norway	(NKr)	6.4218	-0.0126	183 - 253	6.4405	6.4078	6.4188	0.6	6.4135	0.5	6.3768	0.7	97.7
Portugal	(Es)	152.145	-0.605	120 - 170	152.600	152.120	152.46	-2.5	153.05	-2.4	155.195	-2.0	95.8
Spain	(Pta)	125.425	-0.485	400 - 450	125.970	125.370	125.675	-2.4	126.105	-2.2	127.645	-1.8	80.5
Sweden	(SKr)	6.5975	-0.0064	925 - 025	6.6150	6.5925	6.5966	0.2	6.599	-0.1	6.574	0.4	88.8
Switzerland	(SFr)	1.1993	-0.009	990 - 995	1.2075	1.1981	1.1958	3.6	1.1883	3.7	1.1548	3.7	112.8
UK	(£)	1.5506	+0.0034	502 - 510	1.5511	1.5454	1.5501	0.4	1.5494	0.3	1.5501	0.0	84.4
Ecu	-	1.2686	+0.0045	685 - 690	1.2698	1.2650	1.2695	-0.7	1.2712	-0.8	1.28	-0.9	-
SDR†	-	0.68710	-	-	-	-	-	-	-	-	-	-	-
Americas													
Argentina	(Peso)	0.9986	-	985 - 987	1.0000	0.9985	-	-	-	-	-	-	-
Brazil	(R$)	1.0144	+0.0003	142 - 145	1.0145	1.0142	-	-	-	-	-	-	-
Canada	(C$)	1.3739	+0.0006	736 - 741	1.3744	1.3736	1.3737	0.1	1.374	0.0	1.3769	-0.2	83.0
Mexico	(New Peso)	7.4855	+0.009	850 - 860	7.4880	7.4830	7.647	-25.9	7.832	-18.5	8.6855	-28.2	-
USA	($)	-	-	-	-	-	-	-	-	-	-	-	97.2
Pacific/Middle East/Africa													
Australia	(A$)	1.2668	-0.0032	663 - 671	1.2671	1.2669	1.2686	-1.9	1.2721	-1.7	1.2909	-1.9	93.8
Hong Kong	(HK$)	7.7340	-0.0002	335 - 345	7.7345	7.7335	7.7347	-0.1	7.7365	-0.1	7.7635	-0.4	-
India	(Rs)	35.6500	-0.05	000 - 000	35.7000	35.4000	35.7	-5.1	36.005	-5.1	37.475	-5.4	-
Israel	(Shk)	3.1467	+0.0006	444 - 490	3.1490	3.1440	-	-	-	-	-	-	-
Japan	(Y)	108.290	-0.04	250 - 330	108.580	108.170	107.845	4.9	106.945	5.0	103.205	4.7	134.5
Malaysia	(M$)	2.4925	-0.0003	922 - 927	2.4981	2.4918	2.4934	-0.4	2.4995	-1.1	2.523	-1.2	-
New Zealand	(NZ$)	1.4466	-0.0091	459 - 474	1.4474	1.4459	1.4497	-2.6	1.4555	-2.5	1.4801	-2.3	-
Philippines	(Peso)	26.1950	+0.01	600 - 300	26.2300	26.1800	-	-	-	-	-	-	-
Saudi Arabia	(SR)	3.7505	-	503 - 508	3.7506	3.7503	3.751	-0.1	3.7517	-0.1	3.755	-0.1	-
Singapore	(S$)	1.4115	+0.0001	110 - 120	1.4133	1.4110	1.409	3.0	1.402	2.7	1.3765	2.5	-
South Africa	(R)	4.5625	-0.009	600 - 650	4.5690	4.5590	4.61	-12.5	4.7	-12.1	5.0375	-10.4	-
South Korea	(Won)	818.750	-1.1	600 - 900	820.100	818.500	-	-	-	-	-	-	-
Taiwan	(T$)	27.5125	-0.0095	110 - 140	27.5300	27.5060	27.5175	-0.2	27.5225	-0.1	-	-	-
Thailand	(Bt)	25.3070	+0.022	020 - 120	25.3130	25.2870	25.4067	-4.7	25.6095	-4.8	26.492	-4.7	-

† SDR rate per $ for Aug 20 Bid/offer spreads in the Dollar Spot table show only the last three decimal places. Forward rates are not directly quoted to the market but are implied by current interest rates. UK, Ireland & ECU are quoted in US currency. J.P. Morgan nominal indices Aug 20: Base average 1990=100.

WORLD INTEREST RATES

MONEY RATES

August 21	Over night	One month	Three mths	Six mths	One year	Lomb. Inter.	Dis. rate	Repo rate
Belgium	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	7.00	2.50	-
week ago	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	7.00	2.50	-
France	[illegible]	[illegible]	4	[illegible]	[illegible]	3.55	-	4.75
week ago	[illegible]	[illegible]	4	[illegible]	[illegible]	3.55	-	4.75
Germany	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	4.50	2.50	3.30
week ago	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	4.50	2.50	3.30
Ireland	[illegible]	[illegible]	[illegible]	[illegible]	6	-	-	6.25
week ago	[illegible]	[illegible]	[illegible]	6	[illegible]	-	-	6.25
Italy	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	-	8.25	8.95
week ago	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	-	8.25	9.00
Netherlands	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	-	3.00	3.30
week ago	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	-	3.00	3.30
Switzerland	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	-	1.50	-
week ago	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	5.00	1.50	-
US	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	-	5.00	-
week ago	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	-	5.00	-
Japan	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	-	0.50	-
week ago	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	-	0.50	-
■ $ LIBOR FT London								
Interbank Fixing	-	[illegible]	[illegible]	[illegible]	[illegible]	-	-	-
week ago	-	[illegible]	[illegible]	[illegible]	[illegible]	-	-	-
US Dollar CDs	-	5.09	5.16	5.29	5.49	-	-	-
week ago	-	5.00	5.18	5.27	5.48	-	-	-
ECU Linked Ds	-	[illegible]	[illegible]	[illegible]	[illegible]	-	-	-
week ago	-	[illegible]	[illegible]	[illegible]	[illegible]	-	-	-
SDR Linked Ds	-	[illegible]	[illegible]	[illegible]	[illegible]	-	-	-
week ago	-	[illegible]	[illegible]	[illegible]	[illegible]	-	-	-

$ LIBOR interbank fixing rates are offered rates for $10m quoted to the market by four reference banks at 11am each working day. The banks are: Bankers Trust, Bank of Tokyo, Barclays and National Westminster.
Mid rates are shown for the domestic Money Rates, US$ CDs, ECU & SDR Linked Deposits (Ds).

EURO CURRENCY INTEREST RATES

Aug 21	Short term	7 days notice	One month	Three months	Six months	One year
Belgian Franc	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Danish Krone	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
D-Mark	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Dutch Guilder	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
French Franc	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Portuguese Esc.	[illegible] - 7	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Spanish Peseta	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Sterling	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Swiss Franc	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Can. Dollar	[illegible] - 4	[illegible] - 4	[illegible] - 4	[illegible]	[illegible]	[illegible]
US Dollar	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Italian Lira	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Yen	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Asian $Sing	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Short term rates are call for the US Dollar and Yen, others: two days' notice

■ THREE MONTH PIBOR FUTURES (MATIF) Paris interbank offered rate (FFr 5m)

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Sep	95.89	95.70	-0.07	95.80	95.73	38,416	51,977
Dec	95.92	95.79	-0.05	95.92	95.76	23,663	51,534
Mar	95.92	95.80	-0.06	95.92	95.78	530	35,288

■ THREE MONTH EUROMARK FUTURES (LIFFE)* DM1m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Sep	96.71	96.68	-0.04	96.73	96.67	33613	174886
Dec	96.70	96.64	-0.06	96.71	96.62	71356	243343
Mar	96.52	96.45	-0.09	96.52	96.44	49952	201879
Jun	96.25	96.16	-0.10	96.25	96.17	32751	139372

■ THREE MONTH EUROLIRA FUTURES (LIFFE)* L1000m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Sep	91.31	91.30	-	91.34	91.21	16121	55585
Dec	91.76	91.78	+0.01	91.82	91.68	12716	45127
Mar	92.01	92.02	+0.01	92.04	91.92	4052	24975
Jun	92.07	92.07	+0.01	92.09	91.97	2030	15492

■ THREE MONTH EURO SWISS FRANC FUTURES (LIFFE) SFr1m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Sep	97.68	97.65	-0.04	97.69	97.62	4496	29009
Dec	97.62	97.58	-0.04	97.63	97.56	6491	28264
Mar	97.42	97.38	-0.05	97.43	97.35	1000	11739
Jun	97.14	97.11	-0.05	97.14	97.13	23	4194

■ THREE MONTH EUROYEN FUTURES (LIFFE) Y100m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Sep	99.34	99.34	+0.01	99.34	99.34	5	n/a
Dec	99.14	99.14	+0.01	99.14	99.13	299	n/a
Mar	98.93	98.92	-	98.93	98.92	180	n/a

■ THREE MONTH ECU FUTURES (LIFFE) Ecu1m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Sep	95.60	95.55	-0.06	95.60	95.55	1023	8221
Dec	95.59	95.57	-0.05	95.59	95.55	814	6182
Mar	95.52	95.46	-0.06	95.52	95.45	156	2957
Jun	95.24	95.27	-0.06	95.28	95.24	71	2853

* LIFFE futures also traded on APT

CROSS RATES AND DERIVATIVES

EXCHANGE CROSS RATES

Aug 21		BFr	DKr	FFr	DM	I£	L	Fl	NKr	Es	Pta	SKr	SFr	£	C$	$	Y	Ecu
Belgium	(BFr)	100	18.75	16.60	4.852	2.032	4964	5.441	21.03	498.3	410.8	21.61	3.927	2.112	4.499	3.276	354.7	2.581
Denmark	(DKr)	53.32	10	8.850	2.587	1.083	2647	2.901	11.21	265.7	218.9	11.52	2.094	1.126	2.399	1.747	189.1	1.378
France	(FFr)	60.24	11.30	10	2.923	1.224	2991	3.278	12.67	300.2	247.4	13.02	2.366	1.273	2.711	1.974	213.7	1.555
Germany	(DM)	20.61	3.865	3.421	1	0.419	1023	1.121	4.335	102.7	84.63	4.454	0.809	0.435	0.927	0.675	73.10	0.532
Ireland	(I£)	49.21	9.230	8.168	2.388	1	2443	2.678	10.35	245.2	202.1	10.63	1.932	1.040	2.214	1.612	174.5	1.270
Italy	(L)	2.014	0.378	0.334	0.098	0.041	100.	0.110	0.424	10.04	8.272	0.435	0.079	0.043	0.091	0.066	7.145	0.052
Netherlands	(Fl)	18.38	3.447	3.050	0.892	0.373	912.2	1	3.865	91.58	75.47	3.971	0.722	0.388	0.827	0.602	65.18	0.474
Norway	(NKr)	47.54	8.917	7.892	2.307	0.966	2360	2.587	10	236.9	195.2	10.27	1.867	1.004	2.139	1.558	168.6	1.227
Portugal	(Es)	20.07	3.764	3.331	0.974	0.408	996.2	1.092	4.221	100.	82.41	4.337	0.788	0.424	0.903	0.657	71.17	0.518
Spain	(Pta)	24.35	4.567	4.042	1.182	0.495	1209	1.325	5.122	121.3	100.	5.262	0.956	0.514	1.096	0.798	86.37	0.629
Sweden	(SKr)	46.28	8.679	7.681	2.245	0.940	2297	2.518	9.733	230.5	190.0	10	1.817	0.978	2.082	1.516	164.1	1.195
Switzerland	(SFr)	25.47	4.776	4.227	1.236	0.517	1264	1.386	5.356	126.9	104.6	5.503	1	0.538	1.146	0.834	90.32	0.657
UK	(£)	47.34	8.879	7.858	2.297	0.962	2350	2.576	9.957	235.9	194.4	10.23	1.859	1	2.130	1.551	167.9	1.222
Canada	(C$)	22.23	4.169	3.689	1.078	0.452	1103	1.209	4.675	110.8	91.27	4.803	0.873	0.469	1	0.728	78.83	0.574
US	($)	30.52	5.725	5.066	1.481	0.620	1515	1.661	6.420	152.1	125.3	6.596	1.199	0.645	1.373	1	108.3	0.788
Japan	(Y)	28.20	5.288	4.680	1.368	0.573	1400	1.534	5.930	140.5	115.8	6.093	1.107	0.596	1.268	0.924	100.	0.728
Ecu		38.74	7.266	6.430	1.880	0.787	1923	2.108	8.148	193.0	159.1	8.372	1.521	0.818	1.743	1.269	137.4	1

Danish Kroner, French Franc, Norwegian Kroner, and Swedish Kronor per 10; Belgian Franc, Yen, Escudo, Lira and Peseta per 100.

■ D-MARK FUTURES (IMM) DM 125,000 per DM

	Open	Latest	Change	High	Low	Est. vol	Open int.
Sep	0.6727	0.6755	+0.0027	0.6760	0.6748	11,873	63,762
Dec	0.6774	0.6792	+0.0026	0.6796	0.6787	410	5,215
Mar	-	0.6804	-	-	-	8	872

■ JAPANESE YEN FUTURES (IMM) Yen 12.5 per Yen 100

	Open	Latest	Change	High	Low	Est. vol	Open int.
Sep	0.9265	0.9270	+0.0009	0.9270	0.9261	18,896	65,323
Dec	0.9376	0.9378	+0.0001	0.9383	0.9377	351	6,001
Mar	-	0.9505	-	-	-	3	168

■ SWISS FRANC FUTURES (IMM) SFr 125,000 per SFr

	Open	Latest	Change	High	Low	Est. vol	Open int.
Sep	0.8310	0.8354	+0.0041	0.8362	0.8344	8,847	36,034
Dec	0.8390	0.8415	+0.0037	0.8424	0.8407	234	2,740
Mar	-	0.8495	+0.0036	-	-	2	814

■ STERLING FUTURES (IMM) £62,500 per £

	Open	Latest	Change	High	Low	Est. vol	Open int.
Sep	1.5474	1.5492	+0.0018	1.5500	1.5482	5,356	48,007
Dec	1.5486	1.5490	+0.0024	1.5490	1.5480	82	1,304
Mar	-	1.5490	+0.0026	-	1.5430	3	9

UK INTEREST RATES

LONDON MONEY RATES

Aug 21	Over-night	7 days notice	One month	Three months	Six months	One year
Interbank Sterling	[illegible] - 5	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Sterling CDs	-	-	[illegible]	[illegible]	[illegible]	[illegible]
Treasury Bills	-	-	[illegible]	[illegible]	-	-
Bank Bills	-	-	[illegible]	[illegible]	[illegible]	-
Local authority deps.	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Discount Market deps	6 - [illegible]	[illegible]	-	-	-	-

UK clearing bank base lending rate 5¾ per cent from June 6, 1996

	Up to 1 month	1-3 month	3-6 months	6-9 months	9-12 months
Certs of Tax dep. (£100,000)	2½	5½	5	5	4¾

Certs of Tax dep. under £100,000 is 2½pc. Deposits withdrawn for cash 1½pc.
Ave. tender rate of discount on Aug 16, 5.5848pc. ECGD fixed rate Stg. Export Finance. Make up day July 31, 1996. Agreed rate for period Aug 28, 1996 to Sep 24, 1996, Schemes II & III 7.08pc. Reference rate for period Jun 29, 1996 to July 31, 1996, Schemes IV & V 5.811pc. Finance House Base Rate 6pc from Aug 1, 1996

■ THREE MONTH STERLING FUTURES (LIFFE) £500,000 points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Sep	94.21	94.25	+0.03	94.26	94.21	14196	71909
Dec	94.16	94.20	+0.03	94.23	94.14	28894	113339
Mar	93.94	93.97	+0.01	94.03	93.92	19617	77080
Jun	93.59	93.59	-0.01	93.64	93.55	9339	52563
Sep	93.20	93.19	-0.02	93.24	93.16	2470	34959

Also traded on APT. All Open interest figs. are for previous day.

■ SHORT STERLING OPTIONS (LIFFE) £500,000 points of 100%

Strike Price	Calls Sep	Calls Dec	Calls Mar	Puts Sep	Puts Dec	Puts Mar
9425	0.05	0.12	0.15	0.05	0.17	0.43
9450	0	0.04	0.08	0.25	0.34	0.61
9475	0	0.01	0.04	0.50	0.56	0.82

Est. vol. total, Calls 4450 Puts 4653. Previous day's open int., Calls 143759 Puts 137712

EMS EUROPEAN CURRENCY UNIT RATES

Aug 21	Ecu cen. rates	Rate against Ecu	Change on day	% +/- from cen. rate	% spread v weakest	Div. ind.
Spain	162.493	160.972	+0.094	-0.94	2.48	7
Netherlands	2.15214	2.13326	-0.00224	-0.88	2.42	7
Belgium	39.3960	39.1820	-0.0349	-0.54	2.08	4
Germany	1.91007	1.90182	-0.00187	-0.43	1.98	4
Austria	13.4383	13.3827	-0.014	-0.41	1.94	3
Portugal	195.792	195.272	+0.101	-0.27	1.79	2
Ireland	0.792214	0.796521	+0.000848	0.54	0.97	-4
Denmark	7.28580	7.35044	-0.00249	0.89	0.63	-6
France	6.40608	6.50352	-0.0007	1.52	0.00	-13
NON ERM MEMBERS						
Greece	292.867	304.008	+0.042	3.80	-2.20	-
Italy	2106.15	1946.50	+7.99	-7.58	9.85	-
UK	0.786652	0.827679	+0.001377	5.22	-3.51	-

Ecu central rates set by the European Commission. Currencies are in descending relative strength. Percentage changes are for Ecu; a positive change denotes a weak currency. Divergence shows the ratio between two spreads: the percentage difference between the actual market and Ecu central rates for a currency, and the maximum permitted percentage deviation of the currency's market rate from its Ecu central rate.
(17/9/92) Sterling and Italian Lira suspended from ERM. Adjustment calculated by the Financial Times.

■ PHILADELPHIA SE £/$ OPTIONS £31,250 (cents per pound)

Strike Price	Calls Sep	Calls Oct	Calls Nov	Puts Sep	Puts Oct	Puts Nov
1.530	1.90	2.20	2.53	0.11	0.45	0.86
1.540	1.15	1.54	1.97	0.36	0.78	1.24
1.550	0.59	1.01	1.45	0.81	1.25	1.72
1.560	0.24	0.61	1.04	1.46	1.85	2.30
1.570	0.05	0.34	0.71	2.27	-	-

Previous day's vol., Calls 1,882 Puts 2,830. Prev. day's open int., Calls 153,483 Puts 140,993

■ THREE MONTH EURODOLLAR (IMM) $1m points of 100%

	Open	Latest	Change	High	Low	Est. vol	Open int.
Sep	94.44	94.45	-	94.46	94.44	83,383	377,338
Dec	94.19	94.20	-0.01	94.21	94.19	80,221	469,359
Mar	93.04	93.94	-0.17	93.12	93.11	54,581	37,456

■ US TREASURY BILL FUTURES (IMM) $1m per 100%

	Open	Latest	Change	High	Low	Est. vol	Open int.
Sep	94.97	94.97	-	94.97	94.96	799	7,266
Dec	-	94.82	-	94.82	94.79	219	1,878
Mar	94.66	94.66	-0.03	94.66	94.68	46	779

All Open interest figs. are for previous day

■ EUROMARK OPTIONS (LIFFE) DM1m points of 100%

Strike Price	Calls Sep	Calls Oct	Calls Nov	Calls Dec	Puts Sep	Puts Oct	Puts Nov	Puts Dec
9650	0.20	0.19	0.21	0.24	0.02	0.05	0.07	0.10
9675	0.04	0.06	0.08	0.10	0.11	0.17	0.19	0.21
9700	0	0.02	0.02	0.03	0.32	0.38	0.38	0.39

Est. vol. total, Calls 34342 Puts 22787. Previous day's open int., Calls 386199 Puts 326106

■ EURO SWISS FRANC OPTIONS (LIFFE) SFr 1m points of 100%

Strike Price	Calls Sep	Calls Dec	Calls Mar	Puts Sep	Puts Dec	Puts Mar
9775	0.04	0.12	0.13	0.14	0.28	0.50
9800	0.02	0.05	0.06	0.37	0.48	0.88

Est. vol. total, Calls 10 Puts 0. Previous day's open int., Calls 9719 Puts 6240

■ EUROLIRA OPTIONS (LIFFE) L1000m points of 100%

Strike Price	Calls Sep	Calls Dec	Calls Mar	Puts Sep	Puts Dec	Puts Mar
9125	0.16	0.66	0.97	0.13	0.15	0.20
9150	0.08	0.50	0.78	0.28	0.22	0.26
9175	0.03	0.35	0.62	0.48	0.32	0.35

Est. vol. total, Calls 9240 Puts 2195. Previous day's open int., Calls 79624 Puts 39987

BASE LENDING RATES

	%		%		%
Adam & Company	5.75	Cyprus Popular Bank	5.75	NatWestminster	5.75
Allied Trust Bank	5.75	Duncan Lawrie	5.75	●Rea Brothers	5.75
AIB Bank	5.75	Exeter Bank Limited	6.75	Royal Bk of Scotland	5.75
●Henry Ansbacher	5.75	Financial & Gen Bank	7.00	●Singer & Friedlander	5.75
Bank of Baroda	5.75	●Robert Fleming & Co	5.75	●Smith & Williamson Secs	5.75
Banco Bilbao Vizcaya	5.75	Girobank	5.75	Scottish Widows Bank	5.75
Bank of Cyprus	5.75	●Guinness Mahon	5.75	TSB	5.75
Bank of Ireland	5.75	Habib Bank AG Zurich	5.75	United Bank of Kuwait	5.75
Bank of India	5.75	●Hambros Bank	5.75	Unity Trust Bank Plc	5.75
Bank of Scotland	5.75	Heritable & Gen Inv Bk	5.75	Western Trust	5.75
Barclays Bank	5.75	●Hill Samuel	5.75	Whiteaway Laidlaw	5.75
Brit Bk of Mid East	5.75	C. Hoare & Co	5.75	Yorkshire Bank	5.75
●Brown Shipley & Co Ltd	5.75	Hongkong & Shanghai	5.75		
Citibank NA	5.75	Julian Hodge Bank	5.75	● Members of London Investment Banking Association	
Clydesdale Bank	5.75	●Leopold Joseph & Sons	5.75	* In administration	
The Co-operative Bank	5.75	Lloyds Bank	5.75		
Coutts & Co	5.75	Midland Bank	5.75		
Credit Lyonnais	5.75	*Mount Credit Corp	6.00		

COMMODITIES AND AGRICULTURE

Gold lures miners into the shadow of the volcano

Kenneth Gooding visits the challenging mine site on Lihir Island in Papua New Guinea

It is not every day one has the chance to look down into a live volcano from only a few metres above its crater. Admittedly, this volcano, Tavurvur, in Papua New Guinea, was now only emitting a stream of black smoke, having violently erupted 18 months earlier. Yet from our Twin Otter aircraft, we could see clearly the damage caused by Tavurvur and its twin, Vulcan, when they both erupted on either side of the town of Rabaul. Volcanic ash still covered most of the town, its airstrip and golf course.

All this devastation was only half an hour's flying time from Lihir Island, our destination and the site of what is to become one of the world's biggest gold mines. Two open pits will be dug in the crater of another volcano, the eastern side of which has slipped into the sea.

Geologists estimate that the last eruption on Lihir, 700km from the PNG mainland in the Bismark Sea, was 300,000 years ago but remnants of this activity are still plain to see. There is a sulphurous hot spring on the beach near the mine site where the locals sometimes cooked food; and nearby, some of the sand bubbles like porridge in a pot. These are fumaroles, or gas emitting holes, common in volcanic areas.

The miners know that eventually part of their open pit will be in an active geothermal area where water temperatures of 170° C (338° F) have been measured at the ultimate pit depth, 200m below sea level.

Geologist Mr Don Hall says: "What we have here is a dying volcano that is getting a lot of water into it".

This is also an area of "moderate" seismic activity but Mr Hall says comfortingly that, although earthquakes have occurred from time to time within 50km of the project, the level of shaking at the site has not been severe.

It certainly will not be easy to recover gold from this expiring volcano but there is so much of the precious metal – Lihir contains one of the biggest undeveloped gold deposits in the world, 14m troy ounces of reserves and 42m ounces of resources – that the miners cannot resist having a go. Lihir Gold, a PNG company set up for the venture and floated on the Australian stock exchange last year, has taken up the challenge.

If all goes according to plan, the first gold should be produced next year, some 14 years after the deposit was discovered by Niugini Mining, another PNG company and one of the big shareholders in Lihir Gold. The banks which are providing some of the US$700m needed to bring the mine into operation have insisted that RTZ-CRA, the world's biggest mining group and another shareholder in Lihir Gold, manages the project until they are repaid.

The banks are well aware that mining Lihir's volcano presents some unique problems. As the two pits are gradually opened up, eventually to merge into an area of two square kilometres, huge quantities of ground water will have to be dealt with because on this island the average rainfall is four metres a year. Any day it does not rain is unusual. Sea water will also flow in through the permeable rock if allowed to. More terrifying, in the active geothermal areas boiling water and steam will have to be dealt with.

Nowhere else in the world has anybody mined in an active geothermal system immediately next to the sea. No one has yet opened up an active geothermal system where depressurisation caused by de-watering is expected to cause boiling generation of steam.

About one quarter of the rock to be mined will have a temperature of more than 100° C (212° F) with a top temperature of about 140° C (284° F). Ordinary explosives tend to blow up immediately when inserted into hot rocks. So specially compounded emulsion explosives, mixed on site by contractors, will be used where high rock temperatures or reactive rocks are encountered.

Lihir Gold's experts have worked out a complex system of wells outside the pit area to remove hot water and to act as vents to relieve pressure from the steam and gases. There will also be wells in the pit from which water will be pumped.

At present the estimated annual cost for well installation and operations range from $2m in the early years to $5m. Two consultants who have examined the project, Hydroligic Consultants and Witherspoon, say, however, that every large scale de-watering project with which they are familiar "had to go through a learning curve with respect to well design and construction and, in most cases, costs have gone up significantly, primarily as a result of significant increases in well diameters and depths".

Lihir Gold's challenges do not stop there. The present plan envisages 15 years of mining during which 420m tonnes of rock will be moved. It was decided that waste rock and tailings (waste from ore processing) could not be piled up on the island because of the steepness of its slopes, the phenomenal rainfall and the possibility of earthquakes. Also, it was estimated that 600 hectares of virgin rain forest would have to be cleared to make way for a tailings storage area.

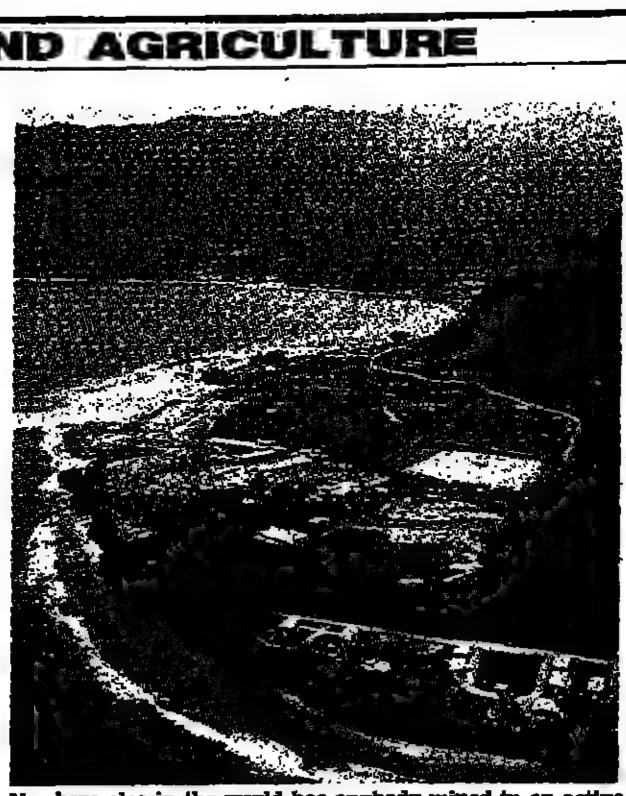
So waste rock will be taken by barges 1.5km from shore and dumped in the sea – up to 34m tonnes of it a year. Lihir says this will cause surface and subsurface plumes of suspended sediment to form and settle through the water column and also some smothering of deep ocean floor flora and fauna. However, any acidity will be rapidly neutralised by the seawater, while metals will either rapidly precipitate out of solution or adsorb on to sediment particles within the plumes.

Meanwhile, tailings will be treated to eliminate at least 90 per cent of the cyanide – used to extract gold from ore – and then discharged into the sea by a pipeline stretching 80m from the shore and going to a depth of 125m. As the tailings are denser than seawater, they will move down the steep submarine slope and not rise to the surface.

Lihir Gold stresses that the project has been submitted to rigorous and extensive environmental studies by independent consultants and by the time production starts next year about $27m will have been spent on environmental activities. The company has also agreed that its environmental management will be subject to annual audits by independent external experts.

Lihir Gold, when it was launched on the Australian stock exchange in October, cautiously predicted that its annual gold output would peak at 651,000 troy ounces in 1999. But Mr Andrew Vickerman, general manager, finance and administration, of the Lihir Management Company, the RTZ-CRA subsidiary that is in charge of the project, says there is the potential to increase the rate of gold production. His present "ball park" calculations, suggest Lihir Gold could boost annual output to about 900,000 ounces by using present equipment and financial resources. A little extra spending on capital equipment would make the mine capable of becoming one of the handful in the world able to produce 1m ounces a year. That assumes, of course, that the company overcomes Lihir's unique mining problems.

> There is so much gold at Lihir, one of the biggest undeveloped deposits in the world, that the miners cannot resist having a go, in spite of the daunting problems presented by the site



Nowhere else in the world has anybody mined in an active geothermal system immediately next to the sea

Comalco studies Chilean aluminium smelter project

By Kenneth Gooding, Mining Correspondent

Comalco, the 67 per cent-owned subsidiary of RTZ-CRA, the world's biggest mining group, is considering joining the potential US$1.5bn Alumysa smelter and hydro-electric power project in Chile.

The Australian company's acknowledgement yesterday that it was in "early stage" talks with Noranda of Canada, prime mover of the Alumysa scheme, was a reminder that Comalco is already involved in an aggressive expansion programme in Australia and New Zealand and that there is more to come.

In line with RTZ-CRA's policy of avoiding downstream metals operations, Comalco has sold most of its aluminium fabrication businesses and is now set to become one of the principal suppliers of primary aluminium.

Some US$1.075bn is being spent by Comalco and its Japanese partners to expand the Boyne Island aluminium smelter in Queensland and the Tiwai Point smelter in New Zealand.

When an upgrade of Comalco's wholly-owned Bell Bay aluminium smelter in Tasmania is included, all this will raise total smelting capacity from 660,000 tonnes last year to 918,000 tonnes in 1998 and Comalco's share will be lifted by 34 per cent from 473,000 to 634,000 tonnes.

Comalco's vast Weipa bauxite operations at Cape York, Queensland, have plenty of capacity to cope with these expansions. An A$70m efficiency improvement programme is lifting Weipa's capacity from 11m tonnes to more than 12m tonnes and 15m tonnes could be achieved at relatively small extra cost.

But the company would be short of alumina, the intermediate material made from bauxite and from which aluminium is smelted. At present Comalco's requirements are met by the 30 per cent owned Queensland Alumina, which is run as an independent company but was built to process Weipa ore. It is already the world's biggest alumina refinery with a capacity of 3.325m tonnes.

According to Mr Martin Bomford, analyst at UBS Global Research, Comalco will need an additional 500,000 tonnes of alumina once the the Boyne Island and Tiwai Point expansions are completed but in the short term Queensland Alumina could supply perhaps an additional 100,000 tonnes.

Consequently, he expects Comalco to move ahead with an alumina refinery project it has been contemplating for some time, possibly starting in mid-1997 with initial output three years later. In a research paper about RTZ-CRA in Australia, Mr Bomford says Comalco is locked in negotiations with the Queensland government about the choice of location. He adds: "To be economic, a new refinery has to be very large – initial production in the 1m to 1.5m tonnes range – with the flexibility to lift this to 4m to 5m tonnes. The ballpark capital cost would be US$750m, making this a big decision even for a group the size of RTZ-CRA".

Mr Bomford suggests that participation in the potential Chilean smelter aluminium project is just one option Comalco is considering because it is convinced that the underlying growth in the global aluminium market will eventually require additional smelting capacity. He said yesterday that, even if Comalco decided to team up with Noranda, "that project could be ten years away".

COMMODITIES PRICES

BASE METALS

LONDON METAL EXCHANGE
(Prices from Amalgamated Metal Trading)

■ ALUMINIUM, 99.7 PURITY ($ per tonne)

	Cash	3 mths
Close	1455.5-56.5	1490.5-91.0
Previous	1450.5-51.5	1485-86
High/low	1451.5	1494/1485
AM Official	1451-52	1486-87
Kerb close		1490-91
Open int.	211,887	
Total daily turnover	26,174	

■ ALUMINIUM ALLOY ($ per tonne)

	Cash	3 mths
Close	1250-55	1285-89
Previous	1242-47	1275-81
High/low		1290/1285
AM Official	1245-50	1283-85
Kerb close		1287-90
Open int.	4,593	
Total daily turnover	680	

■ LEAD ($ per tonne)

	Cash	3 mths
Close	820.5-21.5	820-21
Previous	823-24	822-23
High/low	822/816	822/815
AM Official	816-17	815-15.5
Kerb close		819-20
Open int.	33,033	
Total daily turnover	3,653	

■ NICKEL ($ per tonne)

	Cash	3 mths
Close	7125-30	7225-30
Previous	7025-30	7125-30
High/low	7035	7250/7120
AM Official	7035-36	7135-40
Kerb close		7245-50
Open int.	37,806	
Total daily turnover	9,848	

■ TIN ($ per tonne)

	Cash	3 mths
Close	6095-100	6158-60
Previous	6085-95	6145-50
High/low		6170/6145
AM Official	6080-90	6140-45
Kerb close		6149-50
Open int.	15,127	
Total daily turnover	4,407	

■ ZINC, special high grade ($ per tonne)

	Cash	3 mths
Close	996.5-97.5	1023-24
Previous	1004.5-5.5	1031-32
High/low	996.5	1030/1020
AM Official	995-96.5	1022-22.5
Kerb close		1022-23
Open int.	84,430	
Total daily turnover	14,106	

■ COPPER, grade A ($ per tonne)

	Cash	3 mths
Close	1973-75	1933-35
Previous	1974-77	1927-26
High/low	1958/1955	1938/1915
AM Official	1954-55	1916-17
Kerb close		1935-37
Open int.	204,929	
Total daily turnover	53,968	

■ LME AM Official £/$ rate: 1.5493
LME Closing £/$ rate: 1.5511

Spot 1.5535 3 mths: 1.5495 6 mths: 1.5455 9 mths: 1.5495

■ HIGH GRADE COPPER (COMEX)

	Sett price	Day's change	High	Low	Vol	Open int
Aug	91.60	+0.40	91.90	91.00	528	1,407
Sep	91.40	+0.50	91.80	89.90	4,847	13,957
Oct	90.80	+0.50	91.10	89.40	40	1,561
Nov	90.50	+0.70	89.00	89.00	31	1,264
Dec	89.90	+0.90	90.20	88.20	2,544	18,672
Jan	89.40	+0.90	89.00	89.00	1	976
Total					8,367	88,986

PRECIOUS METALS

■ LONDON BULLION MARKET
(Prices supplied by N M Rothschild)

Gold(Troy oz)	$ price	£ equiv	SFr equiv
Close	386.90-387.40		
Opening	387.50-387.90		
Morning fix	387.45	250.404	465.792
Afternoon fix	386.80	249.532	463.735
Day's High	387.70-388.10		
Day's Low	386.80-387.00		
Previous close	387.20-387.60		

Loco Ldn Mean Gold Lending Rates (Vs US$): [illegible]

Silver Fix	p/troy oz.	US cts equiv.
Spot	336.20	520.75
3 months	340.70	527.50
6 months	345.00	534.15
1 year	354.10	548.15

Gold Coins	$ price	£ equiv.
Krugerrand	386-390	249-251
Maple Leaf	395.85-398.45	
New Sovereign	88-90	55-57

Precious Metals continued

■ GOLD COMEX (100 Troy oz.; $/troy oz.)

	Sett price	Day's change	High	Low	Vol	Open int
Aug	386.7	-1.1	387.7	387.0	10	123
Oct	388.9	-1.1	390.1	388.7	339	11,071
Dec	[illegible]					
Feb	[illegible]					
Apr	[illegible]					
Jun	[illegible]					
Total	[illegible]					

■ PLATINUM NYMEX (50 Troy oz.; $/troy oz.): [illegible]

■ PALLADIUM NYMEX (100 Troy oz.; $/troy oz.): [illegible]

■ SILVER COMEX (5,000 Troy oz.; Cents/troy oz.): [illegible]

ENERGY

■ CRUDE OIL NYMEX (1,000 barrels, $/barrel): [illegible]

■ CRUDE OIL IPE ($/barrel): [illegible]

■ HEATING OIL NYMEX (42,000 US galls; c/US galls): [illegible]

■ GAS OIL IPE ($/tonne): [illegible]

■ NATURAL GAS NYMEX (10,000 mmBtu; $/mmBtu): [illegible]

■ UNLEADED GASOLINE NYMEX (42,000 US galls; c/US galls): [illegible]

GRAINS AND OIL SEEDS

■ WHEAT LCE (£ per tonne)

	Sett price	Day's change	High	Low	Vol	Open int
Sep	107.90	+1.30	107.90	106.95	29	295
Nov	110.00	+1.10	110.00	109.25	243	3,046
Jan	[illegible]					
Mar	[illegible]					
May	[illegible]					
Jul	[illegible]					
Total	[illegible]					

■ WHEAT CBT (5,000bu min; cents/60lb bushel): [illegible]

■ MAIZE CBT (5,000 bu min; cents/56lb bushel): [illegible]

■ BARLEY LCE (£ per tonne): [illegible]

■ SOYABEANS CBT (5,000bu min; cents/60lb bushel): [illegible]

■ SOYABEAN OIL CBT (60,000lbs; cents/lb): [illegible]

■ SOYABEAN MEAL CBT (100 tons; $/ton): [illegible]

■ POTATOES LCE (£/tonne): [illegible]

■ FREIGHT (BIFFEX) LCE ($10/index point): [illegible]

FUTURES DATA
All futures data supplied by CMS.

Nuts and Seeds: [illegible]

SOFTS

■ COCOA LCE (£/tonne)

	Sett price	Day's change	High	Low	Vol	Open int
Sep	1029	+10	1039	1020	1,037	38,254
Dec	1049	+8	1056	1038	3,284	36,686
Mar	[illegible]					
May	[illegible]					
Jul	[illegible]					
Sep	[illegible]					
Total	[illegible]					

■ COCOA CSCE (10 tonnes; $/tonnes): [illegible]

■ COCOA (ICCO) (SDR's/tonne): [illegible]

■ COFFEE LCE ($/tonne): [illegible]

■ COFFEE 'C' CSCE (37,500lbs; cents/lbs): [illegible]

■ COFFEE (ICO) (US cents/pound): [illegible]

■ WHITE SUGAR LCE ($/tonne): [illegible]

■ SUGAR '11' CSCE (112,000lbs; cents/lbs): [illegible]

■ COTTON NYCE (50,000lbs; cents/lbs): [illegible]

■ ORANGE JUICE NYCE (15,000lbs; cents/lbs): [illegible]

VOLUME DATA
Open Interest and Volume data shown for contracts traded on COMEX, NYMEX, CBT, NYCE, CME, CSCE and IPE Crude Oil are one day in arrears. Volume & Open Interest totals are for all traded months.

INDICES

■ REUTERS (Base: 18/9/31=100): [illegible]

■ CRB Futures (Base: 1967=100): [illegible]

■ GSCI Spot (Base: 1970=100): [illegible]

MEAT AND LIVESTOCK

■ LIVE CATTLE CME (40,000lbs; cents/lbs)

	Sett price	Day's change	High	Low	Vol	Open int
Aug	69.875	+0.375	69.900	69.300	2,949	2,439
Oct	71.125	-0.150	71.200	70.875	8,811	42,405
Dec	[illegible]					
Feb	[illegible]					
Apr	[illegible]					
Jun	[illegible]					
Total	[illegible]					

■ LIVE HOGS CME (40,000lbs; cents/lbs): [illegible]

■ PORK BELLIES CME (40,000lbs; cents/lb): [illegible]

LONDON TRADED OPTIONS

Strike price $ tonne — Calls — — Puts —

■ ALUMINIUM (99.7%) LME: [illegible]

■ COPPER (Grade A) LME: [illegible]

■ COFFEE LCE: [illegible]

■ COCOA LCE: [illegible]

■ BRENT CRUDE IPE: [illegible]

LONDON SPOT MARKETS

■ CRUDE OIL FOB (per barrel): [illegible]

■ OIL PRODUCTS NWE prompt delivery CIF (tonne): [illegible]

■ NATURAL GAS (Pence/therm): [illegible]

■ OTHER: [illegible]

JOTTER PAD

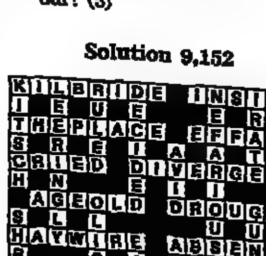
CROSSWORD

No.9,153 Set by GRIFFIN

ACROSS
1 Letter from Greece about expert's dramatic scene (7)
5 Weeping uncontrollably, faulter (7)
9 Reveal secret rift (5)
10 Horrible bore is into mimicry .... (9)
11 .... and that is what this stands for (9)
12 Film fish in sea now and again (5)
13 Expel about six, etc being upset (5)
15 Top table has pillows against it (9)
18 Where mother follows cad (9)
19 Additional skill needed reversing once in front (5)
21 Drink about half pint of brown (5)
23 Challenged wicked stunt man (9)
25 Push Southern girl in face (9)
26 Unimportant ring dropped out of favourite toy (5)
27 In cathedral city times performance precisely (7)
28 Resigned and said why Lee did otherwise (7)

DOWN
1 Having left will set about entering gallery (7)
2 Writer resolved to ban pill (9)
3 Hospital engineers turned to go in (5)
4 Brazen nude runs round a party! (9)
5 Half-hearted cuddle upset one old copper (5)
6 Grant to talented is permissible (9)
7 Pretend to find one grand in swamp (5)
8 Be behind and pull up for straggler (7)
14 Hospital worker, the first to knock on entering (9)
16 Navy board lieutenant in raid may collapse (9)
17 Set off for Virginia and dictate letters about it (9)
18 The remainder live outside university (7)
20 Everyone always wants journalist relieved (7)
22 Father sat cooking something to eat (5)
23 Dull students leave beastly place unswept (5)
24 Cheat about fifty-two in a bar? (5)

Solution 9,152



FT MANAGED FUNDS SERVICE

Offshore Funds

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OFFSHORE AND OVERSEAS

BERMUDA (SIB RECOGNISED)

Fidelity Currency Funds Ltd
Pembroke Hall, Pembroke, Bermuda
UK: Prof Advisers 0800 414181 · Jersey: 01534 71696
Private Clients 0800 414181
From O'seas (44) 1732 777377 · Hong Kong (852) 848 1000

	Selling Price	+ or -	Yield Grs
A$ Accum	A$18.963	+0.011	6.00
ASch Accum	Sch245.12	+0.08	2.30
C$ Accum	C$18.612	+0.006	3.30
DM Accum	DM28.302	+0.009	2.10
DFl Accum	Dfl31.578	+0.005	1.70
ECU Accum	Ecu13.429	+0.004	3.30
FFr Accum	FFr166.771	+0.018	2.80
HK$ Accum	HK$120.45	+0.05	4.10
Lire Accum	L23339	+20	6.00
NZ$ Accum	NZ$30.372	+0.005	6.80
NKr Accum	NKr111.92	+0.04	3.30
S$ Accum	S$25.947	+0.005	2.40
SPta Accum	Pta2703.8	+7.8	6.50
£ Accum	£13.035	+0.010	4.70
SKr Accum	SKr120.38	+0.05	4.30
SFr Accum	SFr20.350	+0.004	1.70
US$ Accum	$23.301	+0.011	4.40
Yen Accum	Y2900.0	—	0.10

Prices for dealing August 21

Jupiter Tyndall (Bermuda) Ltd
PO Box HM1258, Hamilton, Bermuda 001 809 292 2760
Jupiter Tyndall World Umbrella Fund Ltd

	Bid	Offer	+ or -	Yield
Eurobond	$13.78	13.98	-0.05	3.42
Money (i)	$14.15	14.85	—	2.92
Mortgage (i)	C$23.48	24.57	+0.02	7.43
North American	$13.87	14.57	+0.02	-
Overseas	$19.01	19.97	-0.25	-
Tiger	$17.35	18.22	-0.09	-
UK Small Cos	£1.38	1.45	+0.01	0.05

Newport Investment Management
20 Reid St, PO Box HM 3306 Hamilton Bermuda

Lloyds Intl Money Market Fund Ltd
Sarnia Hse, Le Truchot, St Peter Port
Lloyds Bank Fund Managers (Guernsey) Ltd

M & G (Guernsey) Ltd

Prudential Fund Managers (Guernsey) Ltd
Po Box 61, St Peter Port Guernsey

Rothschild Asset Management (CI) Ltd
PO Box 242, St Peter Port, Guernsey

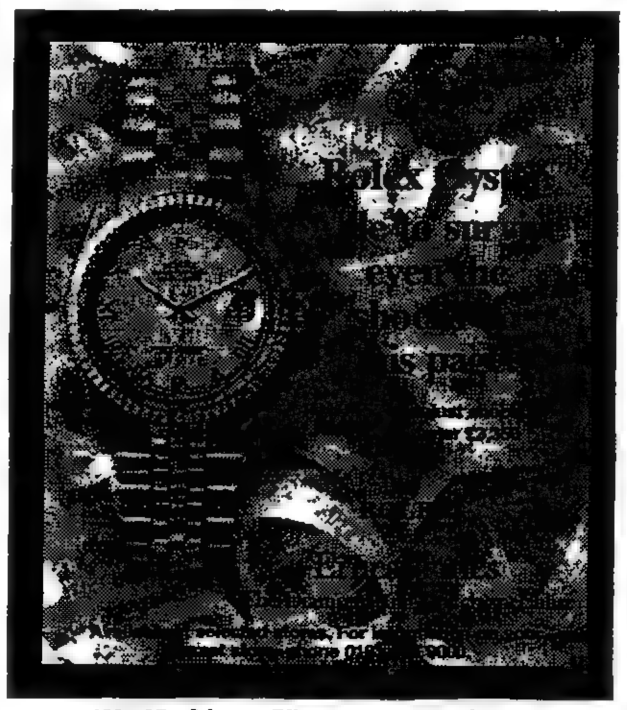
BERMUDA (REGULATED)(**)

GUERNSEY (SIB RECOGNISED)

GUERNSEY (REGULATED)(**)

IRELAND (SIB RECOGNISED)

IRELAND (REGULATED)(**)



ISLE OF MAN (SIB RECOGNISED)

ISLE OF MAN (REGULATED)(**)

JERSEY (SIB RECOGNISED)

JERSEY (REGULATED)(**)

[illegible]

Offshore Funds and Insurances

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● FT Cityline Unit Trust Prices are available over the telephone. Call the FT Cityline Help Desk on (+44 171) 873 4378 for more details.

TSB Fund Managers (CI) Ltd

	Selling Price	Buying Price	+ or -	Yield Gross
TSB Island Pension	750.6	790.3	+0.9	–
Island Equity Acc	128.3	135.3	+0.3	–

WMB Asset Management (Jersey) Ltd

	Selling Price	Buying Price	+ or -	Yield Gross
Prov 500 Ltd Mkg Dollar Income	5109.23	108.42	–	–

Worldinvest (Managers) Jersey Ltd

	Selling Price	Buying Price	+ or -	Yield Gross
Worldinvest Inc Fd †	$258.82	260.13	–	5.78
Excelle Global Eqty $ *	$78.78	78.16	–	–
Excelle Stg Global Fixed Inc*	£11.94	12.07	–	4.64

Valued weekly. * Mondays. † Wednesdays.

LUXEMBOURG (SIB RECOGNISED)

ABN AMRO Funds (u)

4 Rue Jean Monet, L-2180 Luxembourg 352 4249940320

Fidelity Funds (u)

Mercury Asset Management S.A.

LUXEMBOURG (REGULATED)(**)

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Old Mutual International - Contd.

PanEuroLife societe anonyme

Premier Life

Professional Investment Consultants

Royal Life International

Alpha Fund Management Ltd

Aravis Capital Advisors LLC

Arc Investment Company Ltd

Arnhold and S. Bleichroeder, Inc

Asia Pacific Capital Strategies Fund

Asia Pacific Securities Corp Ltd

Asian Convertibles & Income Fd (Cayman)

Aurum Funds

BEA Associates

Columbus Asset Management Ltd

Connor Asset Management Ltd

Cowen Enterprise Fund N.V.

Craig Drill Capital Ltd

Credis Investment Funds

Credit Agricole Group/Segespar

Credit Lyonnais Intl Asset Mgmt (HK) Ltd (1200)

Creditanstalt Investment Co (Prague) as

Crosby Asset Management Ltd

Crystal Corporation N.V.

Crystal Fund Managers Ltd

DWS Deutsche Ges. F. Wertpapiersp

	Selling Price	Buying Price	+ or -	Yield Gross
GSAM Composite	$373.88		—	—
GSAM CHF Composite	SFr100.95		—	—
GSAM DM Composite	DM118.72		—	—
GSAM Money Mkt US$	$100.74		+0.01	4.85
Do Sterling	£100.75		+0.01	5.08
Do Swiss Franc	SFr100.17			0.81
Do Deutschmark	DM100.31		+0.01	
Do Yen	Y10000		—	
GSAM Oracle	$180.89		—	—
GAM Strategic				
Diversity Strategic A	118.88		—	—
Diversity Strategic B	117.08		—	—
European Strategic A	117.30		+0.88	—
European Strategic B	113.10		+0.86	—
Trading Strategic A	115.92		-0.12	—
Trading Strategic B	114.33		-0.14	—
Developing Mkts Strategic A	109.86		+0.21	—
Developing Mkts Strategic B	108.81		+0.30	—

	Selling Price	Buying Price	+ or -	Yield Gross
JF Germany Tst	DM10.81	11.65	-0.04	—
JF Global Bond & Currency Fd	$17.40	18.51	—	8.5
JF Global Convertibles Tst	$14.09	14.82	+0.04	—
JF Global Securities Tst	$22.81	23.83	+0.08	—
JF International Bond	$10.75	11.15	-0.01	—
JF Managed Currency Fd	$18.12	18.00	+0.01	—
JF Masterfund				
JF Asia Growth Ptslo	$9.38	9.88	-0.01	—
JF Intl Growth Ptslo	$10.44	11.08	—	—
JF Money Fund - US$	$104.15	104.15	+0.02	5.07
JF Money Fund - Yen	Y1000.24	1000.24	—	0.03
JF Money Fund - DM	DM102.45	102.45	+0.01	2.78
JF Money Fund - £	£104.59	104.59	+0.01	5.34
JF Money Fund - SFr	SFr101.17	101.17	+0.01	1.97
JF Money Fund - Ecu	Ecu103.38	103.38	+0.01	3.80
JF Money Fund - C$	C$103.87	103.87	+0.01	3.85
JF Money Fund - A$	A$105.57	105.57	+0.02	6.99
JF Money Fund - HK$	HK$104.07	104.07	+0.01	5.09

Global Asset Management - Contd.

	Selling Price	Buying Price	+ or -	Yield Gross
GAM Select				
Select Asean Class A	$95.15		—	—
Select Asean Class B	$94.74		—	—
Select European A	$105.08		+0.84	—
Select European B	$99.85		+0.40	—
Select Japan A	$114.52		—	—
Select Japan B	$118.33		—	—
Select Money Markets B	$101.09		—	—
Select North American A	$102.80		—	—
Select North American B	$116.35		—	—
Select Pacific A	$108.80		—	—
Select Pacific B	$109.67		—	—
GAM Managed Portfolio				
Managed Portfolio	$1084.82		—	—

Jardine Fleming Unit Trusts Ltd - Contd.

	Selling Price	Buying Price	+ or -	Yield Gross
JF Capital Guaranteed Master Series				
Hong Kong Index Bull Fund	$9.85		+0.01	—
Tokyo Index Sub Fund	$9.89		-0.02	—
New York Index Sub Fund	$9.58		-0.06	—
DEM Bull Sub Fund	$9.36		—	—
DEM Bear Sub Fund	$9.82		-0.01	—
Yen Bull Sub Fund	$9.85		-0.01	—
Yen Bear Sub Fund	$9.80		—	—
USD Account				
Limited Issue Funds *				
JF Far Eastern Wrnts Tst	$7.72	8.18	-0.05	—

OTHER OFFSHORE FUNDS

● MANAGED FUNDS NOTES

Prices are in pence unless otherwise indicated and those designated $ with no prefix refer to U.S. dollars. Yields % allow for all buying expenses.

Prices of certain older insurance linked plans subject to capital gains tax on sales.

(*) Funds not SIB recognised. The regulatory authorities for these funds are:

Bermuda - Bermuda Monetary Authority
Guernsey - Financial Services Commission
Ireland - Central Bank of Ireland
Isle of Man - Financial Supervision Commission
Jersey - Financial Services Department
Luxembourg - Institut Monétaire Luxembourgeois.

Initial charge - Charge made on sale of units.
Selling price - Bid or redemption price.
Buying price - Offer or issue price.
Time - The time shown alongside the fund manager's name is the time of the fund's valuation point unless indicated by one of the following symbols:

(☆) 0001 to 1100 hours
(☆☆) 1101 to 1400 hours
(▲) 1401 to 1700 hours
(▲▲) 1701 to midnight
E Exit charge on sale of units.
C Manager's periodic charge deducted from capital.
H Historic pricing F - Forward pricing
♭ Distribution free of UK taxes.
p Periodic premium insurance plans.
s Single premium insurance.
x Designated as a UCITS (Undertakings for Collective Investment in Transferable Securities).
♠ Offered price includes all expenses except agent's commission.
y Previous day's price.
¶ Guernsey gross.
♦ Yield before Jersey tax.
† Ex-subdivision. xd - Ex-dividend.
‡ Only available to charitable bodies
◆ Yield column shows annualised rates of NAV increase.

The fund prices published in this edition are also available at the Financial Times' web site. http://www.FT.com

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BANKS, MERCHANT

BANKS, RETAIL

BREWERIES, PUBS & REST

BUILDING & CONSTRUCTION

BUILDING MATS. & MERCHANTS

CHEMICALS

CHEMICALS - Cont.

DISTRIBUTORS

DIVERSIFIED INDUSTRIALS

ELECTRICITY

ELECTRONIC & ELECTRICAL EQPT

ELECTRONIC & ELECTRICAL EQPT - Cont.

ENGINEERING

ENGINEERING - Cont.

ENGINEERING, VEHICLES

EXTRACTIVE INDUSTRIES

EXTRACTIVE INDUSTRIES - Cont.

FOOD PRODUCERS

FOOD PRODUCERS - Cont.

GAS DISTRIBUTION

HEALTH CARE

HOUSEHOLD GOODS

HOUSEHOLD GOODS - Cont.

INSURANCE

INVESTMENT TRUSTS

INVESTMENT TRUSTS - Cont.

INV TRUSTS SPLIT CAPITAL

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LONDON SHARE SERVICE

INV TRUSTS SPLIT CAPITAL - Cont.

OTHER INVESTMENT TRUSTS

INVESTMENT COMPANIES

LEISURE & HOTELS

LEISURE & HOTELS - Cont.

LIFE ASSURANCE

MEDIA

OIL EXPLORATION & PRODUCTION

OIL, INTEGRATED

OTHER FINANCIAL

PAPER, PACKAGING & PRINTING

PHARMACEUTICALS

PROPERTY

PROPERTY - Cont.

RETAILERS, FOOD

RETAILERS, GENERAL

SUPPORT SERVICES

TELECOMMUNICATIONS

TEXTILES & APPAREL

TOBACCO

TRANSPORT

WATER

AIM

AIM - Cont.

AMERICANS

CANADIANS

SOUTH AFRICANS

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LONDON STOCK EXCHANGE

MARKET REPORT

Footsie retreats from record intra-day high

By Steve Thompson,
UK Stock Market Editor

A sharp decline in global bonds, encompassing US Treasuries, German bunds and UK gilts, cut the ground from underneath London's equity market just as the FT-SE 100 index had 3,900 in its sights.

In early trading, Footsie had made rapid progress, establishing a new intra-day record in response to Wall Street's overnight gain, which took the Dow Jones Industrial Average clear of the 5,700 level.

At its best, the Footsie reached a record intra-day level of 3,894.4, fuelled by substantial gains in a number of the pharmaceutical stocks, British Gas and the big mortgage lending banks.

However, the publication of a stronger than expected survey of business confidence in Germany triggered a sell-off in bunds and weakened other government bond markets.

The survey, the monthly Ifo business index, was interpreted as lessening the chances of the Bundesbank council endorsing a reduction in Germany's repo rate.

A surprise 0.6 per cent fall in UK retail sales during July also took the market by surprise, causing retail stocks to lose some ground.

The news from Germany brought pressure to bear on US bonds. In turn this caused US stocks to lose ground at the outset of trading in New York, despite Tuesday's decision by the Federal Reserve to leave US interest rates unchanged.

Consequently the FT-SE 100 index went into an orderly retreat and closed a net 11.1 lower at 3,872.1. London's second-line stocks managed to resist the pressure emanating from bonds and Wall Street, with the FT-SE Mid Cap ending the day 2.1 firmer at 4,387.4.

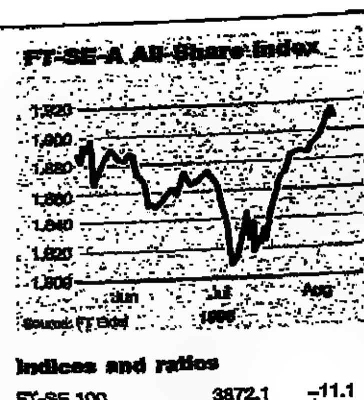
Dealers said the market's retreat had not come as a big surprise. "We've had a good run and were overdue a bout of consolidation" was the view of one senior trader. He said the latest takeover rumours were a symptom of an overbought market.

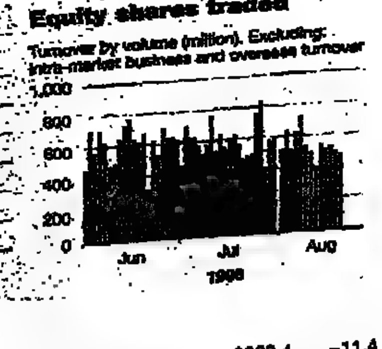
Talk of a Footsie bid had circulated in the market on Tuesday and yesterday saw a flurry of excitement in the drugs sector, where there were various rumours involving SmithKline Beecham, Glaxo, Zeneca and Switzerland's Roche.

There were various permutations involving those stocks, including the strongest rumour which suggested a merger between SmithKline and Roche, which would provoke Glaxo into merging with Zeneca. Specialists said merely that such stories popped up regularly, especially during periods when market activity was slack.

Footsie's best performance came from British Gas, whose shares raced higher in the wake of an Ofgas review seen as much less damaging to the company than had been feared.

Turnover in equities continued to pick up yesterday, reaching 656.9m shares at the 6pm count. Tuesday's customer business was valued at £1.44bn.





Indices and ratios

FT-SE 100	3872.1	-11.1
FT-SE Mid 250	4387.4	+2.1
FT-SE-A 350	1937.4	-4.2
FT-SE-A All-Share	1914.19	-3.56
FT-SE-A All-Share yield	3.85	3.84
FT Ordinary index	2808.4	-11.4
FT-SE-A Non Fins p/e	17.33	17.36
FT-SE 100 Fut Sep	3878.0	-18.0
10 yr Gilt yield	7.84	7.78
Long gilt/equity yld ratio	2.13	2.12

Best performing sectors

1	Gas Distribution	+3.2
2	Building & Construction	+0.8
3	Distributors	+0.6
4	Pharmaceuticals	+0.5
5	Life Assurance	+0.5

Worst performing sectors

1	Tobacco	-2.2
2	Diversified Industrials	-1.5
3	Retailers: Food	-1.3
4	Household Goods	-1.3
5	Extractive Industries	-1.1

S.Kline merger hints

By Joel Kibazo, Lisa Wood and Mark Nichols

Pharmaceuticals group SmithKline Beecham was one of the day's main talking points as speculation that it is in merger talks returned to the market.

Shares in the group moved firmly ahead, gaining 11 to 743p, with one story doing the rounds suggesting a merger between SmithKline and Swiss group Roche. Those of this view went further and suggested the newly combined group would then launch a bid for UK pharmaceuticals giant Zeneca.

A counter-rumour talked of a merger between SmithKline Beecham and Zeneca. However Mr Anthony Colletta at ABN Amro Hoare Govett suggested such a move was unlikely as it "would not be a merger of equals.

A combined group would have to dispose of the agrichemicals and speciality chemicals businesses of Zeneca and thus the net contribution from the pharmaceuticals business would be disproportionately small."

Talk of a merger between SmithKline and Zeneca propelled the latter to an all-time high. The shares which had traded 1.3m by the close, jumped 11 to 1514p, a new closing peak, having touched 1523p during the session.

British Gas topped the list of the day's most active stocks in the Footsie as what one trader called "pure relief" greeted the regulator's proposals for a new TransCo pricing regime.

Shares in the group, which have underperformed the market in recent weeks ahead of the announcement, moved against the overall market trend to close 6½ ahead at 204½p. Volume rose to a hefty 30m, the heaviest single-day's business since June 6.

However, the jury was still out among analysts as to whether British Gas should reject or accept the final Ofgas proposals.

An analyst who urged British Gas to reject the proposals said simply, "It is worth a try at the Monopolies and Mergers Commission."

However, Ms Irene Himona at SGST believes the company should accept the proposals. She said: "Ofgas has moved away from the extremes of the original proposals and there is an overall sigh of relief, although the changes are not enough to avoid a dividend cut, due to revenue reduction because of the proposals."

She believes the stock to now be "fully valued" at these levels.

Downgrades in forecasts for J Sainsbury cast a dark cloud over the food retailing sector. UBS downgraded its forecast for Sainsbury by £10m to £745m for the full year with pessimism over food sales balanced by more optimism over DIY businesses.

NatWest Securities dropped its full year forecast from £760m to £750m and reiterated its view that the stock is a trading sell. The broker's concerns included increased labour costs, BSE write-offs, the petrol war and start-up costs of the loyalty card.

Sainsbury fell 8 to 399p, Tesco slipped 3½ to 308½p and Safeway fell 5½ to 342p.

Analysts were unperturbed by the weaker-than-expected figures for retail sales in July, describing them as not particularly bad news. One said spending was continuing to increase and that year-on-year figures were encouraging. Another said: "There is enough in the pot to stimulate consumer spending without tax or base rate cuts."

Nevertheless, a number of stocks which had risen earlier in the week in anticipation of good figures fell back. Kingfisher softened 8 to 660p. Marks & Spencer dipped 6¼ to 492¾p, Boots fell 5 to 632p and Next 4 to 558p.

Ladbroke rose 4 to 201p on hints that results later this month will be better than expected.

Grand Metropolitan slipped 2½ to 474½p despite a well-received presentation to analysts on its Pillsbury food businesses in the US.

Analysts said that the stock had risen ahead of the presentation, as a similar event last year had boosted the GrandMet price.

But this year's presentation was not sufficiently startling for analysts to upgrade their forecasts. Merrill Lynch moved from "neutral" to "buy" on the stock, the first time for about three years that it has been positive.

Allied Domecq fell 8 to 442p with analysts saying that the market was getting fed up with waiting for Bass to announce whether it was going to acquire Allied's stake in Carlsberg-Tetley. Bass slipped 4 to 832p.

Merrill Lynch reiterated its "buy" stance on Whitbread in a positive note on the stock in which it said that its share price had come off unduly since the Pelican deal. Whitbread rose 7 to 714p.

Among banking stocks, there was heavy trading in Bank of Scotland and turnover rose to 15m as the shares hardened to 251p. There were rumours in the market suggesting that BZW was about to upgrade profit expectations.

National Westminster fell sharply closing 15 lower at 674p after SBC Warburg downgraded its recommendation from "add" to "hold". Analysts at Warburg would not comment on their change of recommendation but dealers suggested the shift of stance was simply due to the stock meeting its short term fair value target of 690p.

The return of positive sentiment in the UK housing market was said to be behind the advance in Abbey National. The shares gained 5 to 602p.

Three dairy stocks climbed in the expectation of lower prices for liquid milk after Milk Marque, the farmers' supply co-operative, agreed to meet the Office of Fair Trading's concerns about its wholesale milk sales system.

The reform could lead to a 1p per litre reduction in average selling prices. Unigate climbed 10 to 432p. Northern Foods hardened 3 to 206p and Robert Wiseman rose 3 to 174p.

Favourable comment on recent figures continued to boost satellite broadcaster BSkyB. The shares, among the best performers in the Footsie, gained another 12 to a record close of 547p.

The dubious honour of being the worst performer in the FT-SE 100 went to Railtrack as recent talk of stake-building faded. The shares surrendered 7 to 248½p.

Chieftain Group, the Newcastle-based fireproofing and insulation group gained 9 to 50p after an agency cross of 20,000 shares at 45p.

Analysts said recent quarterly results and an improved order book reflected better conditions in the sector.

FINANCIAL TIMES EQUITY INDICES

	Aug 21	Aug 20	Aug 19	Aug 16	Aug 15	Yr ago	*High	*Low
Ordinary Share	2808.4	2819.8	2801.9	2824.5	2801.9	2539.8	2865.2	2668.8
Ord. div. yield	4.06	4.04	4.13	4.03	4.08	4.08	4.22	3.78
P/E ratio net	16.98	17.04	16.72	17.12	16.94	15.81	17.25	15.8
P/E ratio nil	16.82	16.88	16.55	16.94	16.78	15.63	17.08	15.71

Ordinary Share index since compilation: high 2865.2 19/04/96; low 49.4 26/06/40. Base Date: 1/7/35.

Ordinary Share hourly changes

Open	9.00	10.00	11.00	12.00	13.00	14.00	15.00	16.00	High	Low
2828.1	2821.8	2818.8	2819.5	2819.9	2821.3	2817.1	2808.6	2809.8	2828.1	2807.1

	Aug 21	Aug 20	Aug 19	Aug 16	Aug 15	Yr ago
SEAQ bargains	32,456	31,741	33,442	30,308	28,417	25,287
Equity turnover (£m)†	-	1445.4	1442.5	1395.0	1508.9	1801.5
Equity bargains†	-	39,635	39,534	36,583	33,618	38,154
Shares traded (mil)†	-	600.1	451.3	486.1	521.9	596.3

†Excluding intra-market business and overseas turnover.

	Aug 21	Aug 20	Aug 19	Aug 16	Aug 15	Yr ago	*High	*Low
FT-SE AIM	1071.50	1070.50	1072.10	1069.90	1070.50	-	1146.40	965.70

*For 1996.

■ London market data

Rises and falls*		52 Week highs and lows		LIFFE Equity options	
Total Rises	654	Total Highs	93	Total contracts	55,128
Total Falls	435	Total Lows	34	Calls	25,483
Same	1587			Puts	28,645

Aug 21 *Data based on Equity shares listed on the London Share Service.

FUTURES AND OPTIONS

■ FT-SE 100 INDEX FUTURES (LIFFE) £25 per full index point (APT)

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Sep	3904.0	3878.0	-18.0	3904.5	3874.0	10979	62654
Dec	3914.0	3898.5	-18.0	3915.0	3898.5	154	4743
Mar	-	3910.0	-18.0	-	-	0	330

■ FT-SE MID 250 INDEX FUTURES (LIFFE) £10 per full index point

Sep	4410.0	4410.0	+25.0	4410.0	4410.0	55	3769

■ FT-SE 100 INDEX OPTION (LIFFE) (*3871) £10 per full index point

[illegible]

■ EURO STYLE FT-SE 100 INDEX OPTION (LIFFE) £10 per full index point

[illegible]

† Long dated expiry months.

LONDON RECENT ISSUES: EQUITIES

Issue price p	Amt paid up	Mkt. cap (£m.)	1996 High	1996 Low	Stock	Close price p
§70	F.P.	19.1	89	67	†AND Intl	[illegible]
§60	F.P.	7.46	58	53	†Allzyme	[illegible]
§100	F.P.	-	100	100	Amer Opps Ln 03/06	100
-	F.P.	12.7	68	66	†Barbican Hlthcre	[illegible]
§110	F.P.	10.7	155	120	†Chemical Design	[illegible]
•	F.P.	5.17	4	4	†Dentmaster Hldgs	[illegible]

[illegible]

† Alternative Investment Market. § Placing price. * Introduction. For a full explanation of all other symbols please refer to The London Share Service notes.

FT GOLD MINES INDEX

[illegible]

FT - SE Actuaries Share Indices — The UK Series

[illegible]

72 Banks, Merchant(6)	3685.29	+0.2	3686.24	3688.75	3669.85	3628.70	2.68	2.60	18.67	63.39	1179.31
73 Insurance(22)	1468.41	-0.5	1476.16	1476.88	1481.28	1344.67	5.70	2.34	9.38	59.13	1121.70
74 Life Assurance(6)	3441.39	+0.5	3424.94	3422.62	3425.30	2763.89	4.39	2.21	12.86	108.40	1443.78
77 Other Financial(21)	2606.82	-0.1	2608.46	2604.63	2608.24	2211.39	4.05	1.79	17.21	77.11	1505.43
79 Property(41)	1618.69	-0.9	1632.83	1623.46	1618.46	1459.31	3.94	1.24	25.54	40.48	1008.25
80 INVESTMENT TRUSTS(128)	3173.54	—	3174.04	3160.72	3183.48	2967.16	2.24	1.11	50.35	48.74	1115.34
89 FT-SE-A ALL-SHARE(895)	1914.19	-0.2	1917.75	1908.98	1911.85	1731.83	3.85	1.97	16.50	61.32	1642.74
FT-SE-A Fledgling	1236.22	+0.1	1235.57	1234.16	1231.37	1059.60	2.76	2.35	19.31	22.03	1300.73
FT-SE-A Fledgling ex Inv Trusts	1248.76	—	1248.63	1247.26	1244.46	1052.43	2.95	2.53	16.74	23.82	1314.72

■ Hourly movements

	Open	9.00	10.00	11.00	12.00	13.00	14.00	15.00	16.10	High/day	Low/day
FT-SE 100	3894.2	3889.3	3887.5	3885.2	3885.8	3889.8	3884.9	3874.2	3871.7	3894.4	3870.6
FT-SE Mid 250	4388.5	4389.5	4387.6	4389.0	4390.6	4391.8	4391.5	4388.4	4387.4	4391.9	4387.1
FT-SE-A 350	1946.2	1944.4	1943.5	1942.7	1943.1	1944.7	1942.8	1938.3	1937.2	1946.3	1936.8

Time of FT-SE 100 Day's high: 8:31 AM Day's low: 3:20 PM. FT-SE 100 1996 High: 3883.2 (20/08/96) Low: 2954.2 (23/01/96).

■ FT-SE Actuaries 350 Industry baskets

	Open	9.00	10.00	11.00	12.00	13.00	14.00	15.00	16.10	Close	Previous	Change
Bldg & Cnstrcn	1160.0	1160.4	1160.8	1166.0	1166.3	1168.2	1166.9	1168.9	1167.9	1167.9	1157.3	+10.6
Pharmaceuticals	5358.0	5370.9	5394.3	5382.3	5382.8	5389.1	5376.5	5382.5	5365.5	5364.1	5334.4	+29.7
Water	2204.1	2203.2	2200.4	2200.5	2201.6	2204.6	2204.5	2199.7	2199.7	2199.7	2204.5	-4.8
Banks, Retail	4530.7	4519.1	4525.9	4525.6	4534.6	4533.8	4528.1	4511.5	4505.7	4505.4	4516.1	-10.7

Additional information on the FT-SE Actuaries Share Indices is published in Saturday issues.
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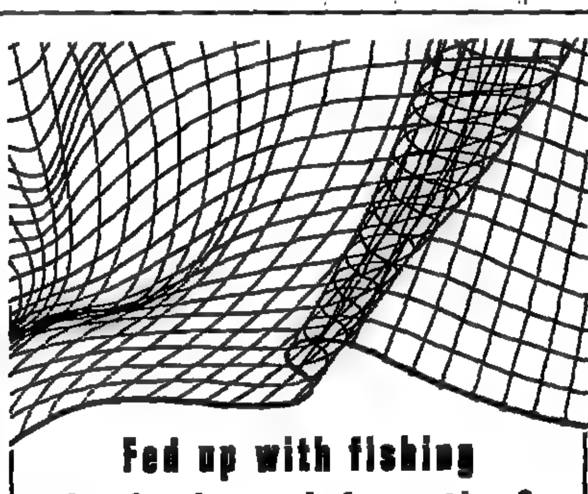
DELETION: Chamberlain Phipps (Fledgling): CHANGE OF NAME: Excalibur Group renamed Arabia (Fledgling).

TRADING VOLUME

■ Major Stocks Yesterday

[illegible]

Based on trading volume for a selection of major securities dealt through the SEAQ system yesterday until 4.30pm. † Indicates an FT-SE 100 Index constituent. All trades are rounded. Source: FT Extel.



Highs & Lows shown on a 52 week basis

WORLD STOCK MARKETS

EUROPE

AUSTRIA (Aug 21 / Sch)

BELGIUM/LUXEMBOURG (Aug 21 / Frs.)

CZECH REP (Aug 21 / Koruna)

DENMARK (Aug 21 / Kr)

FINLAND (Aug 21 / Mks)

FRANCE (Aug 21 / Frs.)

GERMANY (Aug 21 / Dm.)

GREECE (Aug 21 / Drachma)

ITALY (Aug 21 / Lira)

NORWAY (Aug 21 / Kroner)

POLAND (Aug 21 / Zloty)

PORTUGAL (Aug 21 / Escudo)

SPAIN (Aug 21 / Pta.)

NETHERLANDS (Aug 21 / Fls.)

SWEDEN (Aug 21 / Kronor)

SWITZERLAND (Aug 21 / Frs.)

TURKEY (Aug 21 / TL Lira)

PACIFIC

JAPAN (Aug 21 / Yen)

HONG KONG (Aug 21 / H.K.$)

INDONESIA (Aug 21 / Rupiah)

MALAYSIA (Aug 21 / MYR)

NEW ZEALAND (Aug 21 / NZ $)

SINGAPORE (Aug 21 / S$)

AUSTRALIA (Aug 21 / Aust$)

SOUTH KOREA (Aug 21 / Won)

TAIWAN (Aug 21 / TW $)

THAILAND (Aug 21 / Baht)

AFRICA

SOUTH AFRICA (Aug 21 / Rand)

NORTH AMERICA

CANADA

TORONTO (Aug 21 / Can $)
4 pm close

MONTREAL (Aug 21 / Can $)
4 pm close

Prices supplied by Telekurs

INDICES

INDEX FUTURES

US INDICES

RATIOS

	Aug 16	Aug 9	Aug 2	Year ago
Dow Jones Ind. Div. Yield	2.18	2.21	2.20	2.48
	Aug 14	Aug 7	Jul 31	Year ago
S & P Ind. Div. yield	2.04	2.03	2.10	2.07
S & P Ind. P/E ratio	22.04	21.16	21.35	18.68

NEW YORK ACTIVE STOCKS

Tuesday	Stocks traded	Close price	Change on day
PepsiCo	8,405,000	30⅛	-⅛
WalMart	3,920,000	27¾	+⅛
Fst Data	3,820,400	77½	½3¾
Philip Morris	3,748,900	91⅛	+1⅛
RJ Nabisco	3,574,900	28¾	-⅛
Fed Nat Mtg	3,484,300	32⅝	-⅛
Capstar	3,179,000	18	—
AT&T	2,789,900	54⅛	+⅛
Kmart	2,696,800	10⅝	-⅛
Fst Union	2,388,200	65⅝	+⅛

TRADING ACTIVITY

Volume (million)

	Aug 20	Aug 19	Aug 16
New York SE	334.945	365.830	335.271
Amex	22.640	16.212	16.271
NASDAQ	416.902	358.569	430.114
NYSE			
Issues Traded	3,182	3,169	3,154
Rises	1,235	1,227	1,580
Falls	1,073	1,037	760
Unchanged	874	905	854
New Highs	105	118	116
New Lows	26	21	18

	Open	Latest	Change	High	Low	Est. vol.	Open Int.
S&P 500							
Sep	668.50	664.50	-3.45	666.70	664.50	33,430	170,830
Dec	672.70	670.50	-3.40	672.70	670.50	1,509	13,821

	Open	Sett price	Change	High	Low	Est. vol.	Open Int.
Nikkei 225							
Sep	21170.0	21180.0	+10.0	21180.0	21000.0	19,123	233,469
Dec	21190.0	21270.0	+80.0	21270.0	21040.0	6,754	27,065

Open interest figures for previous day.

TOKYO - MOST ACTIVE STOCKS: Wednesday, August 21, 1996

	Stocks Traded	Closing Prices	Change on day
Yasuda F & M Ins	12.4m	759	+9
Toyota Motor	11.7m	2700	+40
TYK Corp	9.7m	1400	+30
NKK Corp	7.8m	306	+2
Mitsui Matushima	6.1m	676	-26
Miyakoshi Corp	5.3m	462	+75
Nippon Stl Corp	5.0m	362	+6
Mazda Motor	4.4m	537	+12
Takara Shuzo	4.2m	1130	+20
Sumitomo Mtl Ind	4.1m	325	+8

FT FREE ANNUAL REPORTS SERVICE

4 pm close August 21

NEW YORK STOCK EXCHANGE PRICES

1996 High	Low	Stock	Div	Yld %	P/E	Sls 100s	High	Low	Close Quote	Chng Prev. Close
23¾	17¾	AAR	0.48	2.4	20	1194	20¾	20⅛	20⅜	-¼
46⅛	36⅛	AMP	1.00	2.6	18	3056	38⅞	37⅞	38⅛	-⅛
97½	68	AMR			17	3410	85⅝	84⅝	85½	+⅞
50½	37⅞	ASA x	2.00	5.1	26	232	39¾	39⅝	39½	-½
47⅞	38⅛	Abbott	0.96	2.0	20	6370	47⅝	46⅝	47	-½
17¼	12¼	Abitibi Pr	0.40	2.9	7	845	13⅞	13⅝	13⅞	+¼
20¼	13½	ABM Ind	0.35	2.0	17	21	17⅛	17⅛	17¼	+⅛
18⅝	13⅝	Acptncela			35	104	17¼	17⅛	17⅛	-⅛
50⅛	37¾	ACE Ltd	0.56	1.2	11	858	47¼	46⅞	47	-¼
10⅛	9⅛	ACM Grt In x	0.90	9.1	8	91	10	9⅞	9⅞	-⅛
7⅞	6⅝	ACM GrOpp x	0.57	8.1		151	7⅛	7	[illegible]	
7¼	6	ACM Grt Sp x	0.66	10.0		481	6¾	6½	6⅝	
9¼	8¼	ACM Gvt Se x	0.90	10.3		210	8⅞	8¾	8¾	
9½	8⅞	ACM Man x	0.90	9.5		276	u9½	9⅜	9½	+⅛
13⅞	6⅛	Acme Elect	0.32	4.2	127	71	8	7⅞	7⅝	-¼
17½	13⅞	[illegible]			9	103	15⅛	14⅞	15⅛	+⅛
30¾	27¾	[illegible]	0.72	2.3	18	6	30¾	30¾	30¾	-¼
21⅛	12	Acuson			66	112	13⅝	13½	13⅝	
19½	17⅞	Adams Exp x	0.48	2.5	0	319	19⅜	19¼	19⅛	-⅛
21¼	10¾	AdvMic			8	3287	13	12⅝	[illegible]	+⅛
11⅞	8½	Advest Grp	0.16	1.6	7	152	10	9⅞	9⅞	
26⅛	9⅛	Advo Inc	0.10	[illegible]	[illegible]	182	9⅞	9¾	9¾	-⅛
50⅞	41⅛	Aegon	1.19	2.4	16	33	49⅞	49⅝	49⅝	-⅜
6¾	3½	Aeroflex			3	666	5½	5⅜	5⅜	
69½	57⅝	Aetna	0.80	1.2	7	8093	67⅞	66⅞	67⅞	+⅛
36½	29¼	AFLAC x	0.40	1.1	14	1974	34⅞	34½	34⅞	+⅛
20⅞	17⅛	AGL Res x	1.08	5.2	17	1106	20⅝	19⅞	20⅛	+⅜
28	21¼	Ahmnsn x	0.88	3.4	7	2580	26½	25⅞	25⅞	-⅝

Continued on next page

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صكتاس الاصل

4 pm close August 21

NYSE PRICES

1996 High	Low	Stock	Div	Yld %	P/E	Sls 100s	High	Low	Close Quote	Chge Prev. Close
Continued from previous page										
20⅞	12	SciAtl	0.06	0.4	176	1069	14⅜	13⅞	14⅛	-⅛
21	17	Scotsman	0.10	0.5	11	118	20⅝	20½	20⅝	+⅛
47½	38⅛	Scripps	0.52	1.2	25	285	45⅛	44½	44½	-⅜
18⅛	13¼	ScudderWAsF	0.02	0.1		131	13¾	13½	13¾	+⅜
13	11	ScuddrNEuF	0.16	1.3		159	u13	12¾	12¾	-⅛
20½	16	SeaCnB	0.17	0.9	25	95	18	18	18	+⅛
16	15	SeaC1.4625	1.48	9.6		5	15¼	15¼	15¼	-⅛
67¾	36⅛	S'gate			26	6061	54¼	51⅞	54¼	+2
38⅞	30⅞	Seagram	0.60	1.8	23	1269	34	33½	33⅞	-⅜
28	17⅛	Seagull En	1.20	6.5	12	2736	18⅝	18¼	18½	-¼
39	26	Sealed Air	0.64	1.7	25	160	37⅞	37¼	37¾	-⅛
59⅞	38¼	SearsR	0.92	2.0	16	6671	46	45½	45⅞	-⅜
22⅞	19¼	SecCapSBI	1.24	5.9	19	767	21	20⅞	20⅞	
13	11⅞	Seligm Sel x	0.84	6.8		73	12½	12⅜	12⅜	-⅛
23¾	19⅝	Sensormat	0.22	1.2	14	2892	19	18½	18⅞	+¼
44⅞	28½	SequaA	0.60	1.4	50	63	43¾	43½	43½	-⅛
50¼	30	SequaB	0.50	1.0	68	12	u50¼	49¾	50¼	
60¼	38⅞	ServCp	0.41	0.7	28	2984	57¾	57½	57½	-¼
23½	19½	SvMstr	0.68	3.0	14	481	22¾	22⅞	22⅞	
6¼	4½	ServMerch			10	1080	4¾	4⅝	4¾	+⅛
46¼	28½	SGSThm			8	2098	39½	38⅛	39¼	+⅞
15⅝	10⅝	Shaw Ind	0.30	2.0	39	2601	u15⅝	15	15¼	-⅛
[illegible]										

- T -

[illegible]

- U -

[illegible]

- V -

[illegible]

- W -

[illegible]

- X - Y - Z -

1996 High	Low	Stock	Div	Yld %	P/E	Sls 100s	High	Low	Close Quote	Chge Prev. Close
[illegible]										
47⅞	38⅛	Xtra Corp x	0.72	1.7	18	24	[illegible]	[illegible]	[illegible]	-⅛
[illegible]	20⅞	Yankee Egy	1.28	5.8	11	39	[illegible]	[illegible]	22⅛	-⅛
[illegible]	[illegible]	York Int	0.38	0.8	20	280	[illegible]	[illegible]	[illegible]	-¼
3⅝	3	Zapata	0.14	3.9	10	63	3⅝	3⅝	[illegible]	
25⅞	6⅝	Zenith			7	4036	11¼	11⅛	11⅛	-⅛
28⅞	21⅛	Zurich Mat	1.00	3.8	37	88	27⅞	27⅜	27⅜	-⅜
7⅛	6½	Zweig Inc	0.72	10.3		164	7	6⅞	7	
22⅞	15⅛	Zero x	0.12	0.6	18	124	21	20¾	20¾	-⅛
20¾	16½	Zurn Ind	0.40	2.0	17	148	20⅝	20½	20½	
11⅞	10½	Zweig Fund	1.08	9.8		127	11⅛	11	11	
9	8¼	Zweig Tot R x	0.84	9.9		426	8⅝	8½	8½	

Price data supplied by Telekurs

Yearly highs and lows for NYSE reflect the period from Jan 1 1996. Unless otherwise noted, rates of dividend are annual disbursements based on the latest declaration. Sales figures are unofficial.
d-new yearly low. P/E price-earnings ratio. s/s-stock split. u-new yearly high. x-ex-dividend or ex-rights. yld-yield. z-sales in full.
Dealings suspended.

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NASDAQ NATIONAL MARKET

4 pm close August 21

Stock	Div.	P/E	Sls 100s	High	Low	Last	Chng
[illegible]							

- B - C - D - E - F - G - H - I - J - K - L - M - N - O - P - Q - R - S - T - U - V - W - X - Y - Z -

[illegible]

AMEX PRICES

4 pm close August 21

Stock	Div.	P/ E	Sls 100s	High	Low	Close	Chng
[illegible]							

FINANCIAL TIMES Thursday August 22 1996

AMERICA

Tobacco stocks fall on damages claim

Wall Street

US stocks moved lower as buyers searched for a reason to enter the market, *writes Richard Tomkins in New York*. The Dow Jones Industrial Average gave ground early in the day, and at 1 pm it was 35.51 down at 5,685.75.

Traders blamed the downturn on a decline in Treasury prices. Tuesday's decision by the Federal Reserve to leave interest rates unchanged had been largely priced into the market, and with little fresh economic data in sight, thoughts turned to the possibility of a rate increase later in the year.

The Standard & Poor's 500 was off 2.12 at 663.57 and the American Stock Exchange composite eased 1.46 to 557.83. Small capitalisation and Nasdaq stocks were also lower. NYSE volume was 202m shares.

Philip Morris and RJR Nabisco were again hit by nervousness about the possible outcome of a key anti-smoking case being heard in an Indiana court this week. Philip Morris was off $1¾ at $89⅝ and RJR Nabisco was off $⅝ at $25⅞ amid fears that the industry would suffer a second damages award in a fortnight.

PepsiCo, which lost an important Venezuelan bottler to Coca-Cola at the end of last week, fell another $¼ to $29⅝. But one gainer was Kmart, the struggling discount store group, which reported a small quarterly profit after a long series of losses: its shares were up $1¼ at $10⅝.

Bausch & Lomb plummeted $3⅛ to $32⅝ as news emerged that the Food and Drug Administration had approved a rival's hearing aid, while among technology stocks, CompuServe tumbled $1¼ to $12 after announcing worse-than-expected losses late on Tuesday.

Canada

Toronto stayed healthy, the TSE 300 index rising 3.70 to 5,154.80 in 45.2m shares.

Scott Paper rose C$2 to C$25.50, following an agreement with Kimberly-Clark on trademark and technology licensing, and transition issues. On April 18 Kimberly-Clark said it planned to sell its 50.1 per cent stake in Scott Paper, which said yesterday that it would now seek a buyer for 100 per cent of the company.

SOUTH AFRICA

Early gains in industrials were lost as the session progressed, leaving the index off 58 at 7,592, after an intra-day high of 7,684, its lowest close since November 1995. The gold index edged 5 lower to 1,726, while the overall index fell 24 to 6,421.

Investors were disturbed by the continued weakness of the rand, and uncertainty surrounding a possible rise in interest rates. Rembrandt, the tobacco and industrial holdings group, lost 60 cents to R35.40, and South African Breweries fell R1.75 to R113.75.

Protest halts Mexico trade

Trading in MEXICO CITY was suspended for more than three hours after 100 high-school students and their parents blocked the main entrances to the exchange. The demonstration had been called to protest at the method of allocating students to schools. The protesters refused to let stockbrokers and floor operators enter the building, preventing the scheduled 8.30 am start of trading.

BUENOS AIRES was drifting lower at the opening as investors awaited further details regarding a legislative package intended to trim the budget deficit. The Merval index was off 1.38 at 513.02 at midsession.

The economy minister was due to brief congress today, and most commentators did not expect the measures to be approved until October.

SAO PAULO was marginally stronger at midday, but analysts warned that investors were awaiting a meeting of the monetary policy committee meeting which was due to set September's basic interest rate of the central bank.

The Bovespa index was up 243 at 63,614.

EMERGING MARKETS: IFC WEEKLY INVESTABLE PRICE INDICES

Market	No. of stocks	Dollar terms: August 16th 1996	Dollar terms: % Change over week	Dollar terms: % Change on Dec '95	Local currency terms: August 16th 1996	Local currency terms: % Change over week	Local currency terms: % Change on Dec '95
Latin America	(249)	534.49	+1.2	+15.3			
Argentina	(31)	805.34	-2.0	+0.5	493,454.69	-2.0	+0.4
Brazil	(68)	370.81	+1.3	+21.4	1,404.63	+1.5	+26.5
Chile	(43)	714.79	-1.5	-4.5	1,178.54	-1.3	-3.4
Colombia[1]	(15)	590.53	-5.1	-1.3	1,092.66	-4.5	+4.1
Mexico	(66)	568.38	+5.0	+23.2	1,600.44	+4.4	+19.6
Peru[2]	(21)	219.08	-1.6	+11.1	330.15	-1.6	+15.9
Venezuela[3]	(5)	494.04	-0.4	+47.8	5,387.53	-0.2	+106.4
Asia	(632)	248.29	-1.0	+6.9			
China[4]	(24)	60.36	+2.6	+11.6	63.30	+2.5	+11.4
South Korea[5]	(145)	102.60	-2.3	-18.5	110.60	-1.6	-13.9
Philippines	(35)	204.56	+0.7	+17.3	285.43	+0.7	+17.2
Taiwan, China[6]	(83)	142.92	-1.1	+26.7	147.46	-1.0	+27.6
India[7]	(76)	89.45	-3.5	+11.3	113.10	-3.8	+12.7
Indonesia[8]	(44)	106.85	-2.8	-2.6	136.07	-2.7	-0.1
Malaysia	(123)	310.70	+0.1	+14.6	286.06	+0.2	+12.6
Pakistan[9]	(25)	238.61	-3.5	-1.7	366.05	-3.1	+2.4
Sri Lanka[10]	(5)	94.56	-0.3	-9.1	115.12	+0.4	-4.8
Thailand	(72)	298.42	-3.7	-20.6	299.65	-3.6	-20.3
Euro/Mid East	(238)	130.99	-2.9	-7.5			
Czech Rep	(5)	73.04	+0.5	+21.7	64.99	+0.9	+22.2
Greece	(47)	242.44	+0.3	+0.4	391.38	+1.1	+1.1
Hungary[11]	(8)	168.75	+3.2	+71.5	307.19	+3.9	+89.8
Jordan	(8)	169.40	+0.5	-8.3	253.15	+0.5	-8.2
Poland[12]	(22)	679.39	-0.4	+59.4	1,173.65	+0.5	+77.3
Portugal	(26)	132.61	+0.1	+14.5	139.39	+0.7	+17.3
South Africa[13]	(63)	209.74	-3.4	-18.7	197.15	-3.0	+1.5
Turkey[14]	(54)	131.71	-6.7	+26.1	5,329.45	-6.4	+78.3
Zimbabwe[15]	(5)	358.47	+0.5	+34.2	541.86	+0.6	+43.7
Composite	(1119)	290.29	-0.7	+5.3			

Indices are calculated at end-week, and weekly changes are percentage movement from the previous Friday. Base date: Dec 1988=100 except those noted which are: (1)Feb 1 1991; (2)Dec 31 1992; (3)Jan 5 1990; (4)Dec 31 1992; (5)Jan 3 1992; (6)Jan 4 1991; (7)Nov 6 1992; (8)Sep 28 1990; (9)Mar 1 1991; (10) Dec 31 1992; (11)Dec 31 1993; (12)Dec 31 1992; (13)Dec 31 1992; (14)Dec 31 1992; (15)Aug 2 1993; (16) July 2 1993.

The Bucharest stock exchange has offered free listing for the first 10 companies to be privatised under the country's mass privatisation programme. The offer was made earlier this week in an effort to generate fresh activity on the exchange: over the last two months turnover has rarely exceeded 100m lei (some $33,000), against 500m lei earlier in the year.
The authorities said on Tuesday that commissions on listing will be waived for the first 10 companies to seek a bourse quotation before October 30.
The exchange, the country's first for 50 years, opened last November with six stocks, and now trades shares in 13 companies. Under a mass privatisation programme stakes of up to 60 per cent in some 4,000 state companies were offered in exchange for coupons and vouchers.
Brokers have said that the main reason for the market's disappointing performance has been the absence of major institutional investors.
The effort to revive trading also seems to be a bid to counter expected competition from over the counter trading, which is due to become active later this year. The OTC market has been developed under a $20m capital market project run by the US Agency for International Development, and offers a means to trade the large number of mass privatisation shares.

FT/S&P ACTUARIES WORLD INDICES

The FT/S&P Actuaries World Indices are owned by FT-SE International Limited, Goldman, Sachs & Co. and Standard & Poor's. The Indices are compiled by FT-SE International and Standard & Poor's in conjunction with the Faculty of Actuaries and the Institute of Actuaries. NatWest Securities Ltd. was a co-founder of the Indices.

NATIONAL AND REGIONAL MARKETS (Figures in parentheses show number of lines of stock)	Tue Aug 20 1996: US Dollar Index	Day's Change %	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	Local % chg on day	Gross Div. Yield	Mon Aug 19 1996: US Dollar Index	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	DOLLAR INDEX: 52 week High	52 week Low	Year ago (approx)
Australia (82)	204.43	-0.5	195.69	139.99	[illegible]	172.93	0.0	4.23	205.35	196.97	[illegible]	158.88	[illegible]	[illegible]	[illegible]	[illegible]
Austria (24)	178.44	-0.5	170.98	[illegible]	138.16	138.10	-0.4	2.04	179.38	172.05	122.39	138.77	[illegible]	[illegible]	[illegible]	[illegible]
Belgium (27)	216.72	0.2	207.66	148.40	167.80	163.94	[illegible]	4.06	216.29	207.47	147.69	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Brazil (28)	180.71	0.2	173.16	123.75	139.92	337.33	[illegible]	1.69	180.26	172.91	123.00	139.46	[illegible]	[illegible]	[illegible]	[illegible]
Canada (116)	162.54	0.7	155.75	[illegible]	125.85	161.64	0.6	2.23	161.43	154.85	110.15	124.90	[illegible]	[illegible]	[illegible]	[illegible]
Denmark (30)	319.23	0.3	305.88	218.60	247.17	249.70	0.3	1.64	318.30	305.33	217.20	246.27	[illegible]	[illegible]	[illegible]	[illegible]
Finland (23)	209.02	0.6	200.28	[illegible]	161.84	196.68	0.7	2.54	207.86	199.39	141.84	160.82	[illegible]	[illegible]	[illegible]	[illegible]
France (85)	190.73	1.4	[illegible]	130.60	147.67	152.21	1.4	3.17	188.04	180.37	128.31	145.48	[illegible]	[illegible]	[illegible]	[illegible]
Germany (58)	176.00	-0.2	168.64	120.52	136.27	[illegible]	-0.1	1.79	176.35	169.16	120.34	136.44	[illegible]	[illegible]	[illegible]	[illegible]
Hong Kong (59)	433.81	[illegible]	415.68	297.06	335.89	430.77	1.0	3.40	429.64	412.13	293.17	332.41	[illegible]	[illegible]	[illegible]	[illegible]
Indonesia (27)	185.26	[illegible]	177.54	126.88	143.46	266.06	[illegible]	1.78	184.74	177.21	126.06	142.93	[illegible]	[illegible]	[illegible]	[illegible]
Ireland (16)	285.72	-0.5	273.77	195.65	221.22	250.57	-0.5	[illegible]	287.06	[illegible]	195.88	222.09	[illegible]	[illegible]	[illegible]	[illegible]
Italy (58)	76.06	0.6	72.88	52.08	58.89	86.22	0.6	2.80	75.61	72.53	51.59	58.50	[illegible]	[illegible]	[illegible]	[illegible]
Japan (481)	147.82	-0.2	141.64	101.22	114.45	101.22	[illegible]	0.75	148.06	142.04	[illegible]	114.57	[illegible]	[illegible]	[illegible]	[illegible]
Malaysia (107)	545.55	-0.1	522.74	373.57	422.40	523.88	-0.1	1.72	546.21	523.94	372.72	422.60	[illegible]	[illegible]	[illegible]	[illegible]
Mexico (19)	1303.46	2.3	1248.09	892.58	1009.24	10855.22	2.2	1.25	1274.02	1222.07	869.34	985.70	[illegible]	[illegible]	[illegible]	[illegible]
Netherland (19)	304.24	0.8	291.52	208.33	235.56	231.94	0.8	3.13	301.94	289.63	206.03	233.61	[illegible]	[illegible]	[illegible]	[illegible]
New Zealand (15)	82.94	-0.2	79.48	56.80	64.22	63.85	-0.2	[illegible]	83.06	79.69	56.69	64.28	[illegible]	[illegible]	[illegible]	[illegible]
Norway (35)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Philippines (22)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Singapore (44)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
South Africa (44)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Spain (37)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Sweden (48)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Switzerland (37)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Thailand (45)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
United Kingdom (203)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
USA (625)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Americas (790)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Europe (707)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Nordic (136)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Pacific Basin (860)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Euro-Pacific (1567)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
North America (743)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Europe Ex. UK (507)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Pacific Ex. Japan (399)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
World Ex. US (1796)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
World Ex. UK (2221)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
World Ex. Japan (1940)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
The World Index (2421)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

EUROPE

Ifo index cools Frankfurt rate hopes

The Ifo economics institute reported a rise in its west German business climate index from 90.4 per cent in June to 94.1 in July. This compared with expectations in the 91.0 area, and dropped FRANKFURT's Dax index by an initial 20 points.

Weakness in bunds, the dollar and the Dow darkened the general backcloth, and the key index closed 27.68 lower at an Ibis-indicated 2,534.44. Turnover flattened out at DM5.4bn.

Ifo's effect on interest rate hopes hit financials, where Dresdner fell DM1.15 to DM40.35. In rate-sensitive utilities, Viag fell DM6.85 to DM562.50 after first half profits which came in slightly lower than expected.

Krupp Hoesch shed DM5.50 at DM214.50 after the steel and engineering group warned that the second half of 1996 would be more difficult than expected. In construction, the ailing Philipp Holzmann tumbled DM12 or 3.2 per cent to DM362 as it forecast a 1996 loss and said that its first half output shrank by 12 per cent.

Among retailers, Ava saw first half profits down 12 per cent, said that it did not expect consumption in Germany to increase during the rest of 1996, and saw no sign of a significant turnround in consumption next year. Its shares fell DM11.50 to DM438.50 while its fellow retailer, Karstadt, dropped DM9.70 to DM632.20.

PARIS clung tenaciously to the 2,000 level in spite of a growing belief that a cut in interest rates today was now unlikely. The CAC-40 index lost 18.62 or 1 per cent to 2,000.64. Turnover was around FFr3.5bn.

Promodes, the retailer, off FFr4 at FFr1,212, recovered some of its earlier losses on reports that a number of analysts had downgraded their forecasts following disappointing first half sales figures earlier in the month. The company said yesterday that it was still on course for earnings growth of between 10 and 15 per cent this year.

Générale des Eaux, down FFr6 at FFr505, said that it had been awarded a 15 year contract to provide its second regional train service in the UK. The group commented that its UK division would spend £400m om modernising rolling stock.

In contrast, Pathe, the media company, which was formed earlier this year after Chargeurs split itself into two units, rose FFr65 or 5.2 per cent to FFr1,305 following positive first half sales. Chargeurs International, the textiles and transport half of the old group, made FFr2.90 or 1.5 per cent to FFr191.90.

FT-SE Actuaries Share Indices

THE EUROPEAN SERIES

Aug 21 Hourly changes	Open	10.30	11.00	12.00	13.00	14.00	15.00	Close
FT-SE Eurotrack 100	1658.27	1657.86	1657.84	1658.98	1656.27	1655.48	1653.35	1653.99
FT-SE Eurotrack 200	1723.06	1723.22	1722.39	1723.67	1723.75	1722.87	1719.86	1719.40

	Aug 20	Aug 19	Aug 16	Aug 15	Aug 14
FT-SE Eurotrack 100	1659.23	1650.74	1649.44	1643.79	1639.62
FT-SE Eurotrack 200	1723.79	1713.86	1717.76	1707.83	1704.40

Base value 1000 (26/10/90). High/day: 100 - 1659.37; 200 - 1725.12 Low/day: 100 - 1652.90 200 - 1718.58. † Partial.

Cap Gemini Sogeti, the computer services company, rose FFr6.40 or 3 per cent to FFr211.90 on a rise in first-half sales.

AMSTERDAM reacted confidently as Nedlloyd, the transport and shipping group, turned in a better than expected second quarter result. The shares rose Fl 2.10 to Fl 37.10.

However, some analysts were more cautious about the results, noting that part of the reason for the improvement in earnings was a one-off sale of a subsidiary. Mr Oscar Poos at Paribas Capital Markets warned that there was tremendous overcapacity in the container shipping sector, and he believed that this situation would continue to get worse.

The AEX index fell 6.24 to 559.48 in line with negative sentiment on the continent.

ZURICH majored on CS Holding, as the banking group reported a 20 per cent rise in first half net but came in below expectations. The shares fell SFr1.75 to SFr128.25, and the SMI index by 14.4 to 3,683.6.

MADRID dabbled in Pryca on talk of strong first half results, but the supermarketeer's Pta45 gain to Pta3,070 was exceptional on the day. The general index fell with bonds, losing 1.89 at 352.14.

MILAN was in a holding pattern ahead of inflation data from provincial cities. The Mibtel index gained 5 to 9,598 while the Comit lost 1.14 to 601.66.

STOCKHOLM reacted to a batch of interim figures, one of its best moments coming with the 27 per cent lift in profits at the insurer, Trygg-Hansa, whose B shares rose SKr3.50 to SKr116. The Affärsvärlden General index defied the general mood of the day, but it still eased 0.5 to 1,977.4.

Forestries gained ground after MoDo reported better than expected half year profits, and closed SKr2 higher at SKr183. But the big car-maker, Volvo fell SKr1.5 to SKr136.5 in spite of a interim figures which came in slightly better than expectations.

HELSINKI hit a new ten-month high, the Hex index closing 8.06 better at 2,109.28, but it finished off its peak after investors took profits on Amer, Raisio, Nokia and Valmet, which had all bounced in early trade.

Raisio, which had a phenomenal rise earlier in the year on its Benecol margarine, claimed to reduce cholesterol levels, came up with a new, cost-saving dairy cattle feed and peaked at FM322 before closing just FM2 higher at FM300. Amer gained FM4.10 at FM113, after FM120, up 69 per cent in the space of two months.

ATHENS built on Tuesday's rally as investors continued to react favourably to the prospect of an early general election. The general index advanced 8.74 or 1 per cent to 916.66.

BUDAPEST soared in active trade after a public holiday on Monday and Tuesday, the Bux index ending 115.44 or 3.6 per cent higher at 3,286.88 in turnover of Ft1.45bn.

Written and edited by William Cochrane and John Pitt

ASIA PACIFIC

Nikkei firm as Bombay improves 2.7%

Tokyo

Interest rate concerns receded and shares rose, with volume recovering to over 300m shares for the first time in eight trading days, *writes Emiko Terazono in Tokyo*.

The Nikkei 225 average rose 148.01 to 21,275.02 after moving between 21,215.43 and 21,391.06.

Volume was 341m shares against 252m. The Topix index of all first section stocks rose 11.06 to 1,605.92, and the Nikkei 300 by 2.10 to 298.62. Advances led declines by 693 to 323, with 193 unchanged.

In London, the ISE/Nikkei 50 index rose 1.42 to 1430.20.

Although volume recovered, traders said most investors were now focusing on next week's release of the Bank of Japan's quarterly survey of business confidence.

Large capital steels and shipbuilders advanced on buying by investment trusts and pension funds. Kawasaki Steel rose Y11 to Y380, Nippon Steel by Y8 to Y326 and Mitsubishi Heavy Industries by Y9 to Y904.

Green Cross, the drug company, plunged Y37 to Y501 as Osaka prosecutors raided its headquarters in connection with a lawsuit filed by the family of a man who died of Aids after being injected with blood products contaminated with HIV.

Financials were higher as the US decision to maintain interest rates helped calm domestic interest rate concerns. Yasuda Fire and Marine Insurance was the most active issue of the day, rising Y9 to Y759, Industrial Bank of Japan gained Y40 to Y2,330 and Fuji Bank added Y40 to Y2,020.

In Osaka, the OSE average rose 184.66 to 22,211.87 in volume of 68.2m shares. Nintendo, the video game maker, which fell heavily last week on fears of a downward revision in earnings, lost Y240 to Y6,800. Traders said investors were concerned over the sales of the company's new 64 bit computer game.

Roundup

Institutional buyers stayed in the BOMBAY market and equities recovered another 2.7 per cent. The BSE 30 share index closed 90.16 higher at 3,406.22. There were stories in Delhi that the finance minister, Mr P. Chidambaram, might reconsider the 12.9 per cent minimum tax on companies proposed in last month's budget.

BANGKOK put on another 2.2 per cent as the domestic support fund combined with Japanese institutional buying of large-capitalisation stocks. The SET index ended 23.62 higher at 1,095.03 in turnover of Bt5.1bn.

HONG KONG's HSBC Holdings and Citic Pacific both hit record highs as the Hang Seng index rose 154.99 to 9,831.04. HSBC closed up HK$2 at HK$186 and Citic Pacific made 50 cents to HK$35.20.

SHANGHAI took advantage of an investment programme worth Yn98.7bn planned for Pudong province over the next five years. The B index rose 2 per cent to 52.82.

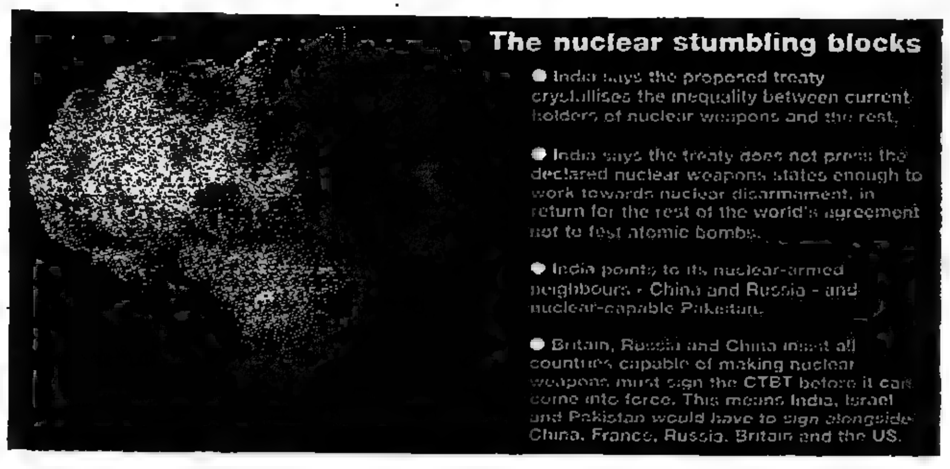
SINGAPORE's second liners led again as the Straits Times Industrial index rose 31.79 to 2,155.60 in high volume of 153.8m shares. Guthrie, the property group, rose 5½ cents to 70 cents as as an old takeover rumour resurfaced.

KUALA LUMPUR was lifted by renewed institutional buying of Malayan Banking and other blue chips. The KLSE composite index rose 17.38 to 1,122.82. Maybank jumped M$1.40 to M$23.90 on higher-than-expected earnings.

TAIPEI concentrated on shipping stocks, a day after China issued rules governing direct shipping links with the island. The weighted index gained 120.34 at 6,177.78 in turnover of T$42.4bn. Yang Ming Marine soared T$1.8 to T$37.8 after the company signed a joint slot exchange agreement with China's China Ocean Shipping Global Co.

India unites over nuclear arms stance

Shiraz Sidhva reports on the national mood as New Delhi faces wide condemnation abroad



Indian Prime Minister H.D. Deva Gowda's pep talk to nuclear scientists at the Bhabha atomic centre near Bombay yesterday was very timely.

For friend and foe across the world roundly criticised New Delhi for its decision to block, in Geneva on Tuesday, the adoption of a draft Comprehensive Test Ban Treaty (CTBT) and to prevent its passage to the United Nations General Assembly for endorsement.

India's nuclear establishment has never felt so under siege – nor so united. Yet in spite of worldwide condemnation, there is a remarkable consensus in India on the nuclear issue.

Yesterday New Delhi brought out the big political guns in a powerful rebuttal of the international criticism – from Pakistan, which said the decision exposed Delhi's "nefarious designs", to traditionally friendly states such as Japan and the US, which expressed deep regret.

Mr Deva Gowda told scientists at Bhabha – where he attended ceremonies marking the 40th anniversary of Apsara, India's first nuclear reactor: "There is no question of yielding to pressure."

India exploded a nuclear device in 1974 in the Rajasthan desert but says it has never built the bomb. Successive governments' policy has been to retain the option to equip itself with nuclear weapons if threatened.

The consensus in India that has been built on that position has been fuelled by a media unanimous – and vociferous – in its support for the government position. "There is a growing sense that India must try to stand up against the bullying of superpowers such as the US, and our government campaigned against the previous Congress (I) kowtowing to pressures from outside, especially from the US," said a senior leader of the Janata Dal, the core member of the United Front coalition government.

Ms Arundhati Ghose, India's ambassador to the CTBT conference, insists that India has nothing to fear. "Do we have so little self-confidence?" she said in an interview from Geneva.

"Our security is at stake. Who's going to protect our 900m people? No developing countries that we have spoken to say they support the treaty."

Political analysts say that India's United Front coalition of 13 caste and rural-based parties has shown rare courage by forming a political and public consensus on the test ban issue and effectively countering pressure from the world's biggest powers.

"In blocking the passage of the CTBT, India has shown a rare diplomatic self-assurance," said Mr C. Raja Mohan, strategic affairs editor of The Hindu newspaper.

"For far too long in the recent past, the very murmur of disapproval from the great powers on a particular issue often stopped Indian policy in its tracks. In the last few years, India was ready to catch a cold even before Washington sneezed," said Mr Mohan.

The five declared nuclear powers – US, UK, France, Russia, and China – which perceived the three-month old Gowda government as too weak to take such a tough stand at Geneva, underestimated its resolve to stick to policies on which it has inherited a broad political and public consensus.

The issue cuts across party lines and politicians of all hue believe the treaty is "unbalanced and unfair".

And though the issue is not a natural vote-winner, it has struck a chord with the public when presented in the traditional context of Indo-Pakistan relations.

It is New Delhi's concern about its neighbours that has mostly informed its position in Geneva. Nuclear-capable Pakistan is the bugbear; China on the eastern border, and Russia to the north, are both nuclear powers. These elements are fixed, and so, therefore, was India's position in Geneva.

As Mr Jaipal Reddy, spokesman of the United Front government, says: "The broader issue of compromising national security arises."

The general message was reinforced by Mr Inder Kumar Gujral, foreign minister, who, speaking in Singapore, dismissed US criticism, saying: "If we start questioning each other's motives, it may be a very dirty scene" and denied India was likely to resume testing its Agni intermediate-range missile after a two-year gap.

Mr P. Chidambaram, the finance minister, referred to worries that punitive sanctions aimed at making the country sign the treaty may follow and said: "I have been assured we don't expect any economic fallout."

Mr Stephen Ledogar, the US ambassador at the disarmament negotiations, said, though it was regrettable, India had acted within its sovereign rights. "The real reason [that India formally vetoed the treaty] is that the government wants to maintain the Indian nuclear weapon option," he said.

Ieng Sery's call to take part in 1998 elections is rejected

Pol Pot aide in talks for political role

By Ted Bardacke in Bangkok

Negotiations between the Cambodian government and a breakaway faction of the Khmer Rouge guerrilla group have stalled over a rebel request that Mr Ieng Sery – former "Brother Number Two" to leader Pol Pot – be allowed to participate in the country's 1998 national elections.

Cambodian state radio yesterday said the country's two prime ministers, Prince Norodom Rannaridh and Mr Hun Sen, had rejected the proposal, made in negotiations held over the past week in Thailand and near rebel strongholds of Phnom Malai and Pailin along the Thai-Cambodian border.

Mr Ieng Sery, leader of a breakaway Khmer Rouge faction and a convicted war criminal, was deemed partly responsible for the more than 1m deaths during Khmer Rouge rule between 1975 and 1979. A resolution outlawing the Khmer Rouge and denying the group a role in politics was passed by Cambodia's National Assembly in 1994.

Last Friday, Mr Ieng Sery said troops and villages loyal to him, making up as many as two-thirds of the rebel force, had rejected extreme Maoist orthodoxy and wanted to negotiate their incorporation into mainstream Cambodian politics.

Though Khmer Rouge troops are confined to remote areas and do not pose a threat to the government, ending the fighting is an important task for Cambodia's coalition government if it is successfully to engineer an economic recovery after decades of strife.

Almost 60 per cent of government spending goes on defence and security, and international donors, the source of about half of the government's revenue, have said a huge reduction in the size of the armed forces is necessary for resources to be channelled to more productive means.

The Khmer Rouge are also a serious obstacle to legitimate trade between Cambodia and its neighbours. This is because a planned transport link from Bangkok to Ho Chi Minh City via Phnom Penh would pass through rebel-held territory and the group continues hit-and-run attacks on key roads linking the capital with Cambodia's leading port of Sihanoukville.

Similar attacks have hampered the removal of mines, efforts necessary to turn former battlefields into productive farmland. In addition, the group controls some of Cambodia's most lucrative gem mining and logging operations, sources of revenue the government would like to control.

Analysts say that despite the squabble over Mr Ieng Sery, the Cambodian government sees the split as its best opportunity to neutralise the Khmer Rouge and that some form of compromise will be worked out with the splinter group, especially as it may need the support of the Cambodian army to repel expected attacks from Pol Pot loyalists.

"I would be very shocked if some Khmer Rouge, such as Pol Pot or Ieng Sery, were allowed to behave as normal political leaders, but the younger generation can be accepted," said Mr Sam Rainsy, leader of the opposition Khmer Nation party. "The law outlawing the Khmer Rouge should be implemented in a flexible way. Every Cambodian is tired of the war."

ASIA-PACIFIC NEWS DIGEST

Japanese drug maker raided

Japanese prosecutors yesterday raided the offices of Green Cross, a drug company based in Osaka, on suspicion of professional negligence resulting in injury and death in connection with the company's sale of HIV-tainted blood products.

The raid by Osaka prosecutors signalled the start of criminal investigations of pharmaceutical companies involved in Japan's HIV scandal in which the government and five drug-makers allegedly delayed distribution of heated blood clotting products. The government and the five drugs makers including Green Cross, and the Japanese arms of Baxter of the US and Bayer of Germany, reached an out-of-court settlement with those who had contracted HIV after using the untreated blood products.

The government has admitted it knew of the risks of untreated blood as early as 1983, when safer heat treated products became available. However it delayed approval of heated products until 1985 allegedly to help Japanese companies which had yet to develop methods to make heated clotting agents. About 2,000 haemophiliacs contracted HIV through untreated products of which more than 400 have died. *Emiko Terazono, Tokyo*

China snub for Ukraine

China has cancelled a trip by a top delegation to Ukraine after a visit to Kiev by Taiwan's Vice-President Lien Chan, a Chinese diplomat said yesterday. Taiwan State Radio said Mr Lien met Ukrainian President Leonid Kuchma. But Kiev denied the report with a vehemence that reflected worry over Beijing's anger. China is Ukraine's second largest economic partner after Russia with annual bilateral trade at almost $1bn. *Reuter, Kiev*

■ Taiwan's industrial output rose 1.71 per cent year-on-year in July after two monthly declines, the economics ministry said yesterday. *Reuter, Taipei*

Australian $ rating revised

Standard & Poor's, the US-based rating agency, yesterday revised its foreign currency rating outlook for Australia to positive, from stable, in the wake of the new conservative coalition government's maiden budget on Tuesday night. S&P said that the change reflected the "substantial fiscal tightening implied by the Commonwealth Government's budget statement". It added that it expected Australia's net public external debt burden "could decline markedly" if the tighter fiscal stance was maintained over the medium-term. *Nikki Tait, Sydney*

Sega to curb sex and violence

Japanese game maker Sega Enterprises yesterday said it would ban the use of software depicting sexually explicit and excessively violent scenes for its television game machines. Sega, fearing it may lose control over content of the software for its game machines, wants to protect it and the industry's image from critics as video game use rises in line with the development of more sophisticated machines, a Sega spokesman said. *Reuter, Tokyo*

Deng at 92 casts a long shadow for leadership

By Tony Walker in Beijing


Deng: legacy of economic transformation

Mr Deng Xiaoping turns 92 today but it is most unlikely China's official media will make reference to his great age, his health or his whereabouts. *China's patriarchal* leader has not been sighted in public since early 1994 when he appeared on television barely able to walk without assistance.

But in spite of his frailty and his long absence from public view Mr Deng continues to cast a long shadow.

China remains in Mr Deng's thrall and his lingering departure from the scene has become something of a burden for the new generation of Chinese leaders. As a western official put it: "In China, politics is something waiting to happen."

Speculation about Mr Deng's health ebbs and flows. Rumours about his *deteriorating condition* circulate periodically, but he continues to survive such speculation, although it seems unlikely his health will allow him to realise his goal of visiting Hong Kong after its return to Chinese sovereignty on July 1, 1997.

China's leader, whose career spanned more than half a century of wars and revolution, is reported to be suffering from Parkinson's disease and other disabilities associated with old age. His children say he is in reasonable health, given his age.

For his successors, however, these are difficult moments. On the one hand they cannot appear too *assertive since this would be* regarded as an affront to Mr Deng. On the other hand they are expected to assume a stronger profile as he fades from the scene. This requires delicate political footwork in a system which has little time for missteps.

While Mr Deng may not be visible these days, his role as architect of the country's economic revolution means *he is* rarely absent from the public mind. China's dramatic economic transformation would almost certainly not have happened without his intervention.

Although Mr Deng's career spanned war and revolution, it is economic change that will be most closely associated with his legacy.

Lex, Page 10

Philippine Moslems grasp olive branch

Powerful outside sponsors improved prospects of peace treaty's success, but the accord still faces some internal opposition, writes Edward Luce

For more than two decades, Mr Nur Misuari, leader of the Philippine *Moros* – a corruption of the Spanish word "moor" – has been a publicly reviled figure.

As the leader of the country's Moslem separatists, he was the public face of a guerrilla war which had claimed 100,000 lives since 1972.

Twelve months ago, the likelihood of his meeting President Fidel Ramos was slim. But this week they met, signing a peace treaty to end the country's 24 year-old Moslem insurgency.

For President Ramos, it was an opportunity to recall *his campaign pledge, made* six years ago, to "unify the people".

Such an achievement would rank alongside the president's achievement in taking the Philippines into the Asian "tiger" club of fast growing economies.

The settlement could lead to investment in the undeveloped but resource-rich region of Mindanao, the focus of the insurgency. Islamic countries, which *have sponsored* the three-year talks, have promised investment.

The peace agreement would give the 5m Moslem minority, mostly in Mindanao, "interim" autonomy and a substantial slice of economic control over an area covering one quarter of Philippine territory. Mr Ramos has also pledged to hold a plebiscite in three *years to determine which* provinces will belong to a permanent Moslem autonomous zone with more substantial powers.

However, the deal has provoked opposition. Militant Christians in the southern Philippines, where the agreement will be put into effect, have attacked it. Moves by the senate in Manila to amend the agreement may also cause problems for the peace process.

At the same time, the deal could be stymied by the Moro Islamic Liberation Front, a more hardline Moslem rival of Mr Misuari's Moro National Liberation Front (MNLF), which is the sole Moslem signatory to the peace deal. The hardliners have not yet endorsed the settlement.

Officials close to Mr Ramos, however, are confi*dent that the momentum is* such that chances of the Misuari-Ramos accord unravelling are slim and the official signing will go ahead in Jakarta later this month.

The peace talks were sponsored by the Organisation of Islamic Conference, the 18-member group of mostly oil-rich economies. Much of the credit for the accord is attributed to the close involvement of outside parties, notably Indonesia, Malaysia *and Brunei, the Philippines'* Islamic neighbours.

Throughout the conflict Indonesia and Malaysia consistently supported Manila's refusal to contemplate outright independence for the Philippine Moslems. Both have now pledged substan*tial* investment on completion of an agreement.

Indonesia's active diplomatic support was crucial. *As the world's most popu*lous Moslem country, it was particularly keen to end the conflict, not least because it has its own separatist problems.

"The fact that the closest Islamic neighbours to the Philippines refused to support the *MNLF's separatist* aims is probably the most important element in bringing a negotiated end to the fighting," said Mr Julius Parrenas, a professor at the University of Asia and the Pacific in Manila.

The chances of the peace deal succeeding hinge on how quickly Manila can attract foreign investors to *Mindanao. The promise of* greater foreign and Philippine state investment in Mindanao is thought to have played a big part in securing Mr Misuari's agreement.

Mining, agribusiness and tourist companies from Australia and Asean (the seven-member Association of South East Asian Nations) have pledged to invest in Mindanao or have already *begun to do so.*

The Asian Development Bank and Usaid, the US aid agency, are already investing heavily in improving Mindanao's infrastructure. The ADB is upgrading the international airport at Davao City, Mindanao's capi*tal, while Usaid recently* completed a $110m (£71m) international airport at General Santos City, the island's second largest commercial centre.

In a boost to its agribusiness potential a fish-processing centre was recently opened in General Santos, while Davao has opened a modern abattoir to slaughter *imported Australian cattle.* It is also hoped that some of the rich pickings in the mineral sector – more than 30 foreign mining companies have applied for gold and copper exploration licences in Mindanao in the last 18 months – will trickle down to the war-weary Christian and Moslem populations.

"This conflict was never going to be concluded by *fighting,*" said Mr Ruben Torres, executive secretary to Mr Ramos, and a former classmate and friend of Mr Misuari at the University of the Philippines.

"The only way to resolve it is to come to a political understanding which is *underpinned by* strong economic development. In other words the carrot works better than the stick."

Company 'disappointed' but watchdog's action may have averted appeal

Gas regulator softens price cuts

By Robert Corzine

Ofgas, the gas industry regulator, has softened tough price control proposals for the pipeline unit of British Gas in a move that could avert a long Monopolies and Mergers Commission inquiry.

Ms Clare Spottiswoode, the Ofgas director general, yesterday sought to defuse her bitter dispute with the company by calling for one-off gas transportation price cuts of 20 per cent next year, followed by annual reductions of 2.5 per cent in the following four years.

That was at the low end of her range of possible cuts and would mean £28 ($43.68) off the average household gas bill from next April. The cumulative reduction would amount to £55 by 2002.

British Gas said the changes were "disappointing".

The market, however, interpreted the Ofgas's as conciliatory. British Gas shares, which had plummeted on publication of Ms Spottiswoode's original proposals in May, ended the day up 6½p at 204½p, in spite of Ofgas acknowledging that its plan would shave 15 per cent off the revenues of TransCo, its pipeline monopoly, in the first year.

Ms Spottiswoode said her final proposals were "a very good compromise". She noted that Ofgas had "moved quite a long way" from the original document, which had called for transportation price cuts of as much as 28 per cent.

But British Gas said the "slightly modified proposals are not in the interests of shareholders, consumers or employees".

It claimed that operating cash flows at TransCo would be cut by £350m a year. As many as 8,000 to 10,000 of TransCo's 20,000-strong workforce could also lose their jobs, executives said.

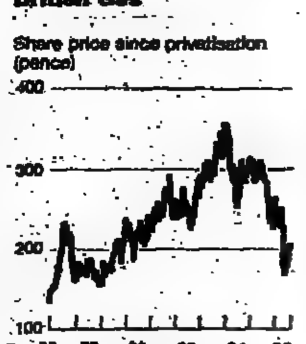
They would not comment on the likely effect on the company's dividend, but City of London analysts said it would probably have to be cut from the current 14.5p a share to about 10p-11p, as TransCo provides the bulk of profits.

But British Gas did not follow through on its earlier threat to ask for an immediate MMC inquiry if it found the proposals unacceptable.

Mr Philip Rogerson, deputy chairman of British Gas, said he hoped negotiations would continue in the six weeks that Ms Spottiswoode had given the company to come up with a formal response. "We need to see if we can persuade her to change her mind," he said.

Ofgas however appeared to rule out any last-minute bargaining. "We won't change anything of substance," said Ms Spottiswoode. "This is the final word."

Institutional investors, many of whom have made personal representations to Ms Spottiswoode to pull back from her harsher proposals, gave a mixed reaction to the latest version.



Institutional investors yesterday gave a mixed reaction to the latest Ofgas proposals while TransCo suppliers warned of job losses and feared the price cuts could undermine safety standards in the industry.

Mr Steve Russell, director of SLC Asset Management – a division of Sun Life of Canada – said the stage was set for a compromise. "Ofgas has backed down from a patently irrational starting point and I wouldn't have thought there's room for another climbdown," he said. "There is a view that if British Gas doesn't go for the Monopolies and Mergers Commission referral there is more room for upside in the share price. Otherwise, with a six to 12-month delay ... the shares could slip."

Mr Leslie Robb, managing director of Scottish Widows Investment Management, said that this was a "more reasonable proposition from Ofgas from British Gas's point of view but it is still not clear whether they'll accept it or force an MMC inquiry." The shares had rallied slightly but this was from an oversold situation. Dividends would still have to be cut.

Mr Stephen Hansford, commercial director at Uponor Aldyl, the largest UK pipe maker, warned the proposed price regime could undermine safety if it led to cuts in maintenance. "There's going to be an accident sometime and someone's going to get hurt. A gas leak isn't like a water leak. When gas leaks, it kills people."

Editorial Comment, Page 9
Lex, Page 10

Car 'bans' to reduce pollution rejected

By Financial Times Reporters

Mr John Gummer, the environment secretary, yesterday rejected calls for "Draconian" measures to curb car use, in spite of recognising it as a big source of urban air pollution.

Unveiling the government's national air quality strategy, which aims to eradicate threats to human health from air pollution by 2005, Mr Gummer said increased taxation and measures to "ban" cars were unlikely to work. Instead, he urged individuals to change their driving habits and talked of the need to offer "alternatives to the car".

The strategy, which is to be finalised after public consultation, sets targets to reduce emissions of eight main air pollutants from vehicles and industry.

It also proposes to give local authorities new powers to curb pollution from vehicles, including the right to stop and fine those found to be violating pollution standards. Five councils are to launch a pilot scheme to stop vehicles this year.

However, Mr Tony Bosworth, air pollution campaigner for Friends of the Earth, the environmental pressure group, said: "Setting air quality targets without reducing the main cause of air pollution is simply pulling the plug out without turning off the taps."

London First, a private sector consortium aiming to improve investment in the capital, called for tax incentives to encourage a switch away from diesel to "cleaner" fuels.

The Society of Motor Manufacturers and Traders urged the government to reconsider the society's proposal for a car-scrapping scheme to withdraw cars aged 10 years and over which were unable to meet environmental standards. This would pay £1,000 ($1,560) to drivers who traded in old vehicles.

UK NEWS DIGEST

Rail users set for strike chaos

Travellers on the rail network and London Underground face chaos over the Bank Holiday weekend as a result of 24-hour stoppages by members of the RMT, the country's largest rail union, tomorrow and on Tuesday.

The railway industry was thrown into confusion last night when divisions began to appear among operating companies – some of which are now in the public sector and some in the private sector following the privatisation of British Rail – over how to deal with the demand from conductors belonging to the RMT for a £10 a week rise for past productivity.

A split also emerged between the trade unions on the London Underground after drivers belonging to Aslef voted to back a management offer for a cut in their working week as their colleagues in the RMT rejected it. London Transport has called a meeting of all the rail unions today to discuss the situation. *Robert Taylor*

■ TELECOMMUNICATIONS

Digital service price cut

British Telecommunications yesterday cut the cost of access to the information superhighway for small businesses in a move which could substantially enlarge the market for innovative digital services such as videotelephony. It announced a family of new charges for its high speed data service ISDN2 designed to appeal to small and medium-sized businesses or branch offices of larger organisations.

The changes immediately attracted the attention of the industry regulator, Mr Don Cruickshank, who said he would be assessing the new prices in the light of comments from BT's customers and competitors. He pointed out that a number of the UK's cable operators were preparing to enter the ISDN market. *Alan Cane*

■ ECONOMY

Retail sales fall sharply

The recovery in high-street spending was set back last month as shops recorded the biggest fall in retail sales since the beginning of the year. The drop, which followed a large increase in June, was bigger than the City expected, but most economists anticipate growth to resume, at a steady if not spectacular rate.

The decline will nevertheless disappoint Mr Kenneth Clarke, the chancellor of the exchequer, who is hoping to fight the next general election – expected by the end of next May at the latest – amid a robust revival in consumer spending.

But it should strengthen his hand in the tussle with the Bank of England – the UK's central bank – over interest rates, allowing him to argue more forcefully against a tightening of monetary policy. *Financial Times Reporters*

■ EDUCATION

Exam results allegation

Head teachers yesterday alleged that published "league tables" of examination results had pushed schools into withdrawing weak candidates from GCSE exams – those taken by most students at the age of 16 – as results showed a sharp increase in the number of pupils not attempting them. *John Authers*

Ambiguity over Emu prompts concern

The City of London fears it may lag behind other global financial centres

When the Corporation of London contemplated, two years ago, conducting a study of the impact of a single European currency on the City, it received a surprising warning. Bank of England officials indicated that the subject was highly sensitive and best left alone.

But the tables have turned. When Mr Kenneth Clarke, the chancellor of the exchequer, asked the corporation – the municipal authority governing the City – to carry out a similar study, the idea was rebuffed, this time because the corporation itself was worried about becoming ensnared in a political maelstrom.

The tale underlies the sense of unease emerging in some quarters about the way the City is preparing for economic and monetary union.

With the political climate leaving the government cautious about taking a public lead, some observers fear that London's planning is being undermined.

London's problems stem from two specific factors that set the City apart from most other European financial centres. It has no single overarching financial markets industry group. Instead, it is divided into different market niches – each of which have different bodies overseeing their interests.

Any sense of unity is further undermined by the distinction between UK-based groups and UK groups. One US banker said: "You cannot assume that every bank in London is automatically guarding the City's interests – let alone the UK banking sector's interests."

This fragmentation leaves some observers convinced that some form of overall co-ordination is needed to reconcile different industry interests. But this runs into the second key problem – the background politics.

Mr Clarke has stressed the need for the City to prepare itself. But the Treasury has hitherto eschewed a visible role for itself for fear that this might antagonise the Eurosceptic lobby. This position may now be shifting.

In recent weeks the Treasury has written to industry bodies asking their opinion about the impact of Emu on London's competitiveness. Also, Emu is likely to be on the agenda of the next meeting of the City promotion panel – a body co-ordinated by the Treasury.

But government officials remain reluctant to be seen "orchestrating" preparations. A similar problem applies to the Bank of England – regarded by many observers as the most obvious focus for co-ordination. The Bank has devoted many resources to studying Emu and participating at the European Monetary Institute, the forerunner of a European central bank.

Behind the scenes, the Bank has been closely tracking the City's preparations: next month it will issue its second report on Emu, intended for the banking community. However, the Bank believes that it should be market institutions, rather than governments, that deal with the business implications of Emu. But its reticence also reflects a political unease.

In the UK, the Bank is reluctant to stir up the Eurosceptic lobby. Bank officials also suspect that in the rest of the EU their best chance of retaining any influence over preparations will be through keeping a low political profile.

But the thought of other financial centres pressing ahead with preparations is generating unease. In Paris, for example, the Bank of France has recently been playing a high-profile role in organising Emu-related discussion in the French financial community.

Gillian Tett

TECHNOLOGY

A new blood treatment could lead the way to a host of medical cures, explains **Victoria Griffith**

Mother cells' revelations

Since the early 1980s researchers have been looking for "stem cells" – the "mother" cells from which all human blood is formed. Scientists believe they have now found their quarry and are predicting a wave of new medical treatments.

The last few months have seen a surge of activity on the stem cell front. In February, a US Food & Drug Administration (FDA) advisory committee recommended approval for Cellpro's stem cell purification technique; full approval is expected soon. Stem cell purification techniques developed by Cellpro and Baxter, another US company, are already on the market in Europe.

Stem cells are important for a number of reasons. Because they are capable of producing every kind of blood cell – including white blood cells, red blood cells, platelets and others – they guarantee the recipient a fully functioning circulatory system.

Hundreds of cancer patients have successfully received stem cell transplants, and trials have just begun for treatment of severe multiple sclerosis at the Medical College of Wisconsin.

Physicians at the University of Nevada have used foetal stem cell transplants to cure several cases of "bubble boy disease" – a condition which causes infants to be born with no immune system. Over the next few months researchers plan to test stem cells in clinical trials for rheumatoid arthritis and lupus at the University of California at Los Angeles.

Scientists are hoping stem cell transplants can eventually help cure a host of genetic disorders and viral infections such as Aids. And some predict that people will routinely freeze their own stem cells for future use. "Because it's so concentrated, it's a lot more practical than storing bags of red blood cells," says Curt Civin, a Johns Hopkins University professor and a pioneer in stem cell research. "This could do away with blood transfusions."

Since stem cells make the white blood cells after they have been placed in a patient, researchers believe they carry less risk of being rejected by a recipient's immune system in a donor transplant. That could substantially reduce the incidence of deadly graft-versus-host-disease.

Perhaps most important, stem cells are in a "purer" state than later-generation blood cells. They are therefore thought to be largely free of malignancies and other defects. This purity forms the basis of the most proven use for stem cell transplants to date: to repopulate the circulatory systems – including the immune systems – of cancer patients.

Science Photo Library

Electron micrograph of immature red and white blood cells in bone marrow, all deriving from one ancestral stem cell

Two discoveries over the last few years have sharpened interest in stem cell transplants for cancer patients. One is that extremely high doses of chemotherapy can increase the probability of a cure. The problem is that those heavy doses can themselves kill by shutting down the patient's immune system. Stem cell transplants can bring these cancer sufferers back from the brink of death by replacing that ability to fight disease.

Another finding is that leftover cancer cells in the blood may play a big role in cancer relapse. Breast cancer – for which stem cell transplants have most frequently been used – is believed to be susceptible to lingering blood cell malignancies.

"The magnitude of malignant contamination is greater than was thought just a few years ago," says Christopher Juttner, vice president of medical affairs for the biotechnology company SyStemix. "That is why scientists are focusing more on stem cells for cancer treatment."

Because the effectiveness of stem cells rests on their "purity", debate has focused on whether scientists have indeed identified the true mother cells.

Many stem cell purification methods are thought to include in the final product second- and third-generation "progenitor cells". Progenitor cells, while capable of multiplying quickly, may not be able to produce all types of blood cells, and probably hold greater risk of malignant contamination.

A number of companies have come up with cell selection techniques to isolate stem cells. Most – including Baxter, RPR and Gencell – rely on antibodies that bind to the cells. Baxter covers the surface of the antibody with charged beads and extracts the cells by magnet. Cellpro coats the stem cells with a vitamin, then runs the mixture through an egg-white protein for which the vitamin has an affinity.

SyStemix uses a high-speed laser system to pull out stem cells. Of all the methods, SyStemix claims the highest purity. However, competitors point out that the technique is expensive and is difficult to use for large batches.

While the widespread use of stem cell transplants to treat cancer patients is probably imminent, other applications for the technology will likely take longer to come to market. Autoimmune diseases such as multiple sclerosis, rheumatoid arthritis and lupus are the next target. Yet because of the high risks involved in stem cell transplantation, only the most severe cases are likely to be treated.

Stem cell grafting is essentially a refined form of bone marrow transplantation. Although the operation is far safer than it once was, it still kills about 1 to 2 per cent of patients. "I'd have to be very sick before I'd want to risk this sort of operation," says Richard van den Broek, a senior biotechnology analyst at Hambrecht & Quist. "You can die from the procedure itself."

It is still unclear how stem cells would cure these diseases. Some scientists theorise that by grafting the stem cells of people free of the illness, the patient's immune system may become "normalised". Others believe patients can benefit from transplants of their own purified stem cells.

By using cells in a more innocent state, those scientists say, autoimmune diseases can be corrected. This theory is based on the idea that autoimmune diseases are triggered by a virus or other outside event. Some researchers believe, for instance, that multiple sclerosis is caused by the immune system's overreaction to the herpes virus.

The use of stem cell transplants to cure certain genetic disorders, and infectious diseases such as HIV, is even further away. One technique to treat Aids, for instance, would combine stem cell transplantation with genetic therapy to create T-cells (a type of white blood cell). Because gene therapy techniques are still unproven, however, it will probably take some time to develop.

"Some of these applications will depend on how quickly gene therapy advances," says Irving Weissman, a professor at Stanford University and leading stem cell researcher.

Although stem cell transplants are promising in a number of areas, they carry significant risks. The threat of graft-versus-host-disease, for instance, has not been entirely eliminated. Indeed, scientists theorise that ferocious rejection may have caused the death of a foetus that underwent a stem cell transplant at Johns Hopkins recently.

Despite the challenges, stem cell transplants are increasingly seen as a promising way to treat a host of diseases. With FDA approval expected for stem cell selection over the next few months, research in the area could move ahead quickly.

CORRECTION

Prestel On-line

Prestel was incorrectly described on the Technology Page of August 20. Prestel On-line is an active financial information and Internet service provider.

Worth Watching · Vanessa Houlder

Chocolate cravings explained

Cravings often associated with chocolate could be explained by its ability to mimic the effects of cannabis, according to a report in Nature published today.

Scientists at the Neurosciences Institute in San Diego, California analysed the contents of cocoa powder and chocolate. They found three substances from the N-acylethanolamine group of chemicals that act directly or indirectly on receptors in the brain that respond to cannabis.

The researchers believe that the presence of these substances may intensify the pleasurable effects of chocolate. Alternatively, they may combine with other components of chocolate such as caffeine "to produce a transient feeling of well-being".

Neurosciences Institute: US, tel 619 626 2170; fax 619 626 2199.

Constant chlorine in swimming pools

Swimming is one of the best forms of exercise, providing good aerobic activity and improving muscle tone, *writes Carol Jones*. The only problem is that for most people after a few minutes in the pool their eyes begin to sting, and even after showering they still smell of chlorine for several hours.

A company based on the Isle of Wight has developed a system that controls both the pH and chlorine levels in a swimming pool. It employs electrolysis to convert simple salt into chlorine, negating the need to add expensive chemicals to maintain water cleanliness.

By keeping the pH level constant at 7.3, the amount of chlorine that is needed to combat bacteria can be kept to a minimum of 1-1.5 parts per million compared with the 6 parts per million present in most public pools where pH levels vary between 7 and 8.5.

Pooltronix (UK): UK, tel (0)1983 551551; fax (0)1983 551550.

Safe computers with fibre optics

The recent surge of computer thefts could be prevented by securing them with fibre-optic cables, according to Toyota Tsusho, a trading arm of the Toyota group which is marketing the Swedish-designed FiberGuard device.

The device consists of a detector attached to a thin fibre-optic cable that is threaded through the chassis of the PC and its internal components to make a loop. A coded light signal is transmitted by the detector, which is connected to the existing alarm system of a building. Any attempt to open or cut through the fibre optic cable in order to remove components will interrupt the light signal and trigger the alarm.

Toyota Tsusho Europe: Sweden, tel 46 8106522; fax 468207537.

Software to test sight

Although employees who use a computer screen at work are entitled to have a regular sight test, many do not bother. But much of the time involved in visiting the opticians could be avoided by using a computerised sight test.

The Vutest system, which was designed by John Sheinman and Andrew Field of J.S. Sheinman & Associates in Northampton, can be carried out by the employees sitting at their own desks.

It consists of a software programme compatible with most PCs, a Polaroid filter that is placed over the screen and a pair of Polaroid "over spectacles". The tests are capable of measuring the sharpness of vision, co-ordination, muscle balance and eye movement, and of detecting certain defects.

J.S. Sheinman & Associates: UK, tel (0)1604 26161; fax (0)1604 21242.

ARTS

The world has moved on from Terminator machismo: Arnold Schwarzenegger and Vanessa Williams in 'Eraser'

Cinema/Nigel Andrews

Super-hero into super-hulk

The smell of cordite in the air during *Eraser* does not come from the on-screen gunfights. It comes from a larger showdown in which yesterday's entertainment styles are shot full of holes by today's, as the old gamely chases the new like an ageing cop trying to run down a street thug.

The poster hints at the antidiluvianism. There is Arnold Schwarzenegger, backlit by what seems a blend of the London blitz and Dante's Inferno, aiming two monster machine guns at the spectator. Oh Arnold, we want to cry, that is *old* stuff. We have had all that paramilitary Terminator machismo. The world is now into computers, natural hurricanes and vast but cunningly amusing space wars.

But how do you teach an old Rottweiler new tricks? For over a decade this man represented bulging overkill on screen, back in the days when Reagan had ruled and every screen hero to be a mean and mighty Hollywood sheriff. Schwarzenegger's neanderthal acting and neo-Nazi accent only helped his cause. Like a dangerous beast he could be kept at one remove by the west, or *perceived* as being at one remove, while he did all its geo-political dirty work.

In *Eraser* our hero is an FBI man trying to keep corruption out of the witness protection programme. Mafia-influenced scoundrels in Washington – and we mean under-secretaries of state and the like – are blowing the cover of the whistle blowers, causing the bodies of honourable ex-incogniti to litter the land. Can Arnold save the nation, and more specifically beautiful computer boffin Vanessa Williams who has stumbled on a military secret that points straight at the White House?

The film begins briskly, with a suburban shoot-out, a nicely introduced villain (James Caan, twinkling his eyes and cracking imaginary walnuts with his cheeks) and a *tour-de-force* action scene in mid-air. When Arnold lands after a spectacular sky-dive he asks two black kids "Where is this?" "Earth. Welcome," they solemnly reply.

After that we are grounded in all senses. The film bumps along from one overblown, arbitrary set piece to the next as the script asks, "What can we throw at Herr Arnie next that is bigger and meaner than him?" So we go to the zoo for some man-eating alligators (computer-enhanced, and not very skilfully), to the docks for some cascading freight containers, to the railway for an oncoming Amtrak express.

The only time we sense a real threat to our hero-superhulk, though, is when he is in the top-secret military technology HQ, *mano-a-mano* with the secret-harbouring computer. Now Tom Cruise might handle a convincing laptop in *Mission: Impossible*. Jeff Goldblum certainly does in *Independence Day*. But Arnold? One finger of the Schwarzenegger we used to know would have smashed three keys impatiently and simultaneously.

For we surely treasured him for scenes that scoffed at cyber-security and its like. Such as the moment in *Terminator 2* when a scientist could not get his entry card to work and Arnold said "Here, use mine", blasting the door down with a shotgun. This scene is reprised in *Eraser*, but someone else gets to shoot down the door.

In sum this is a film caught in a nasty interface between epochs. Its corruption-in-the-corridors-of-power plot has a token liberalism to befit the age of Clinton in the White House and Grisham in the bookshops. And its cyber-consciousness bows to the cerebral interconnectness of the Net world. Yet its violence tries to be the old one-man – or one-caveman – show of *Commando*, *Predator* and *Red Heat*. The next Arnold film will have to reassert some serious magic if we are not to issue the once great icon with this movie's own catchy valediction: "Smile, you've been erased."

ERASER
Charles Russell

THE LAST SUPPER
Stacy Title

THE PEREZ FAMILY
Mira Nair

ORIGINAL GANGSTAS
Larry Cohen

★

The Last Supper is a small but beautifully formed black comedy. Imagine *Arsenic And Old Lace* crossed with *Rope* and you will envisage the weird but tensile plot fabric in which victims are trussed as they are wined, dined and, not to circumlocute, killed.

Each is a "controversial" dinner guest invited by a household of five Iowa students to air intolerant views over successive Sunday dinner. No one gets further than the carefully medicated dessert wine, which ensures them a swift passage to the tomato patch in the back garden. Those who resist the wine are offered an extra item of cutlery, in the back.

Dan Rosen's ingenious script airs every high-volt topic in the modern west, from racism to homophobia to religious fundamentalism. As the top cameo players flex their bigotries (Bill Paxton, Charles Durning, Ron Perlman), the dialogue crackles with tension, until the *discharge* in violence makes *us* feel as guilty and conniving as the students. Their own rainbow-coalition representativeness – a black (Courtney B. Vance), a Jew (Jonathan Penner), a Wasp (Ron Eldard), a prim brunette (Annabeth Gish), a hedonistic blonde (Cameron Diaz) – makes the "game" they play seem even more sinisterly, mischievously schematic.

Only one question, from a film critic exasperated by our age of trendy cameracentrism. Why isn't writer Rosen included in the press handout? We get the inside leg measurements of everyone else from the director to the cameraman and producers, but nothing at all about the man who thought it all up in the first place. Maybe the next guest at the Iowa killer caucus's Sunday dinner could be a nice, juicy auteurist.

★

"I ham like Cuba," exclaims the girl with the overdone Spanish accent, "used by many, conquered by none." Marisa Tomei certainly does ham like Cuba in *The Perez Family*. Indeed she could ham *for* Cuba, in the Olympics. As this jangling, sentimental movie from Mira Nair (*Salaam Bombay*) follows her and other refugees, landing in Florida after being thrown out by Castro during the famous Mariel boatlift of 1980, the screen heats up with "exotic" colours and the music track is like being attacked by guitarists in a cod-Latin restaurant.

Alfred Molina brings a brave restraint to his bearded ex-political prisoner, who falls for Tomei despite her determination to be a walking, singing, dancing, weeping Life Force. ("Once more, dear, with a little *less* feeling"). And in the Miami hinterland Anjelica Huston cracks a noble lisp as Molina's sundered ex-Cuban wife, cueing plot two: will they, won't they, be reunited?

But being restrained in a film like this is like being a conscientious objector in a world war. You are outnumbered, outvoted, outlawed. Around you swirl the sweet but malicious urchin, the funny old grandpa who strips naked to climb trees (funny the first time, but the fourth?) and the swirling antics of Miss Tomei, who has been uncontrollable ever since winning an Oscar for *My Cousin Vinny*. Can these statuettes be recalled, pending serious and honourable attempts to re-deserve them?

★

Original Gangstas, as well as restoring dyslexia to movie titling, restores to us a bunch of ageing black superheroes. Fred Williamson, Jim Brown, Ron O'Neal (*Superfly*), Richard Roundtree (*Shaft*) and others converge on Gary, Indiana, to declare war on the violent street gangs that were started (as their characters autumnally ironise) by themselves. In short – but at 90 thick-eared minutes not short enough – it is "The Magnificent Seven Take Up Urban Vigilantism".

'Ruf' justice to music

Last year the festival scored an unexpected success – for specialist audiences – with two concerts that featured the music of the Portuguese composer Emmanuel Nuñes. Last week, it went on to give the belated British premiere of his 1977 *Ruf* ("Shout", or "Cry") with the BBC Scottish Symphony under Emilio Pomàrico, and attendant electronics.

The programme-book quoted a number of ecstatic reviews, mostly from 1977. Back then, at least, this almost impenetrable piece must have struck intuitive chords in eager listeners, but on Thursday it was hard to guess which. Long parts of it were so loud and dense that one could hardly descry any salient feature amid the roar; other sections were fitfully expressionist. Yet another featured a gentle, melancholy solo cello, and toward the end tiny shards from the "Abschied" of Mahler's *Das Lied von der Erde* floated through.

Lacking the ear of faith, I could hear no musical reason why *Ruf* should pass from any point A to any other point B, though one could guess at certain structural underpinnings. Perseverance might bring enlightenment. Besides, Nuñes has apparently gone on to new phases since *Ruf*, and his recent works may cast some backward light on it. Perhaps after all it is more than a Donaueschingen dinosaur from the 1970s; on one hearing, it would be presumptuous to do anything but hedge one's bets.

The next night Evgeny Kissin gave a piano recital

96

that was uncontroversially sensational, and a touch vulgar. His official programme included only 70 minutes of music, though he followed it with 11 encores. Superb playing in Busoni's inflated arrangement of Bach's famous Chaconne took the curse of bombast off it altogether; Beethoven's "Moonlight" Sonata glittered, and there was a wealth of beautiful ideas in Schumann's C major Fantasy.

But then Kissin got the bit between his teeth. Schumann's mettlesome Toccata went so fast that there was no time to shape any of it and all we heard was a brilliant blur. Ditto in his second encore, Weber's "Moto Perpetuo", which was so madly rushed that its wit and charm evaporated. The house cheered him on, but at 25 now Kissin is in the post-prodigy stage, and does not need to do such things.

By contrast, Saturday morning's concert by Thomas Zehetmair, Heinrich Schiff and Till Fellner – Beethoven, Webern and Schubert, very Viennese – was all scrupulous, exquisite music-making. The main work was Schubert's B-flat Trio, expounded with the utmost tenderness; but Zehetmair convinced us that the B minor Rondo is a deep and subtle piece too, and he and Schiff took turns playing Webern (the tiny Op. 7 and 11 pieces for violin and for cello) with full Beethovenian expression. In retrospect, this concert will surely be remembered as one of the festival's musical peaks.

David Murray

A day on the Fringe

The Pleasance is easily the most convivial of Edinburgh Festival **Fringe venues, except on weekend evenings when it comes to resemble one of the jazzier circles of Dante's Hell.**

However, at midday my heart sank at the opening sequence of *Ryder* (until August 31). Too many shows here have parodied this physical, "atmospheric" style already for it to be taken seriously now. But half an hour later, I realised I had been seduced: skilful, almost-linear, post-student version of Djuna Barnes' novel of amorality employs a range of presentational strategies, none as hackneyed as the first had been. At least 20 minutes too long, but it makes for an amiably disparate ramble.

Later, at the Pleasance Over The Road, I went to *Oblomov* (until August 24). *The Gambler* was one of last year's smaller-scale Fringe finds. The same team's take on Goncharov's novel drags his slothful protagonist into 1990s media-darling London, *and is tailored for lead* actors Dan O'Brien and Andy McKay; more fun than their earlier show, but less impressive as theatre.

I have been reluctant to say as much, but Jonathan Holloway seemed to have lost his way with Red Shift for a couple of years. However, *Bartleby* (Theatre Workshop until August 31), an adaptation of Herman Melville's novella about a living ghost in a Wall Street law office, constitutes a return almost to prime form: stifling and sombre, but nursing a slow-burning concern with the individual psyche amid the temples of Mammon. Like Bartleby (Simon Startin), most of us "would prefer not to" be digested by the commercial beast, but the alternative is effectively to cease to exist.

After dinner, it was back to the Pleasance Over The Road for *Scott Capurro – The Doctor Is On*, (until August 26) which is a marvellous blend of the approaches of gay San Francisco comedian *Capurro's last two outings*, the autobiographical *Risk-Gay* (1994) and last year's conventional stand-up set.

Pretending to be a Californian radio psychologist allows *him* both to work the audience and to insert scripted segments which are at times remarkably touching, showing that beneath the skin of the consummate stage bitch is an insecure creature of flesh and blood.

At midnight *Geno Washington: Cut Loose And Singin' The Blues*, (Assembly Rooms Mon-Thur until August 29) provided unabashed enjoyment. The soul genius is still in fine fettle, although lumbered with an undistinguished backing trio – never trust a guitarist who doesn't wear a T-shirt beneath his dungarees. Washington is more liberated on R&B numbers than when tackling straight blues standards, but anyone who can scream up a storm during "Gloria" is all right in my book.

Ian Shuttleworth

Comedians picked for the Perrier

The shortlist for the Perrier Award for the best comedy performance on the Edinburgh Fringe was announced yesterday. It was totally predictable, seeming to confirm that comedy is best left to males in their late 20s.

The six through to the final from almost 200 possibles are: Armstrong and Miller (appearing at the Pleasance) – offbeat sketches put over with punch and charm; Bill Bailey (Assembly Rooms) – very funny, a fine musician, a quick improviser, a star; Dominic Holland (Gilded Balloon) – unthreatening observational comedy; Dylan Moran (Pleasance) – similar stuff but prepared to let his imagination go ballistic; Al Murray (Pleasance) – who transforms himself into the bigoted pub landlord of your sickest fantasy; and Rich Hall (Gilded Balloon) – older, American and ironical.

The actual award – £3,000 and a West End booking – means little to these comedians who are all well established on the commercial comedy circuit. Winning might double their booking fee but the real attraction is the TV and radio offers that should pour in. Previous Perrier winners include Frank Skinner, Jenny Eclair, Steve Coogan and Sean Hughes, *all now established* media faces.

It is a pity that this Perrier shortlist could have been drawn up before the Fringe opened its doors – the chances of a complete unknown coming through these days seem remote – but all provide some pleasure. I would guess that the choice is between Armstrong and Miller and Bill Bailey. On achieved potential, Bailey should win on Saturday.

Antony Thorncroft

INTERNATIONAL ARTS GUIDE

BAYREUTH

OPERA
Bayreuther Festspiele Tel: 49-921-78780
● Die Walküre: by Wagner. Conducted by James Levine. Soloists include Matthias Hölle, John Tomlinson and Tina Kiberg. Part of the Richard Wagner Festspiele; 4pm; Aug 23

EXHIBITION
Neue Nationalgalerie Tel: 49-30-2662662
● Georg Baselitz: large retrospective exhibition devoted to the work of Georg Baselitz. The display includes 100 paintings and 10 sculptures from European and American collections; to Sep 29

BONN

EXHIBITION
***Kunst- und Austellungshalle der* Bundesrepublik Deutschland** Tel: 49-228-9171200
● The Great Collections IV: Moderna Museet, Stockholm: this exhibition features approximately 200 works of modern art from the collection of the Moderna Museet in Stockholm, beginning with examples of early modern art up to contemporary art; to Jan 12

DUBLIN

CONCERT
National Concert Hall – Ceoláras Náisiúnta Tel: 353-1-6711888
● The Three Tenor Orchestra: with conductor Mark Armstrong, presenter Kevin Hough and tenors Paul Hennessy, James Drummond Nelson and Niall Morris perform classics from opera, operetta and musical theatre; 8pm; Aug 24

EXHIBITION
Irish Museum of Modern Art Tel: 353-1-6718666
● IMMA Collection: Figuration: this exhibition of painting, sculpture and mixed media looks at a variety of themes – from the body in action to gender issues. It includes works by Picasso, Antony Gormley and Janet Mullarney. Traditional approaches to figuration are set alongside more abstract interpretations of it, representative of the richness of contemporary art practice; to Jan 1997

HAMBURG

OPERA
Hamburgische Staatsoper Tel: 49-40-351721
● Staatsoper Hamburg: with conductor Asher Fisch perform Mascagni's Cavalleria Rusticana and Leoncavallo's Pagliacci. Soloists include Zampieri, Fredricks, Zhidkova and Lima; 7.30pm; Aug 23
Musikhalle Hamburg Tel: 49-40-346920
● Tosca: by Puccini. Performed by the Hamburger Symphoniker. Soloists include Eva Marton, Keith Purdy and Juan Pons. Part of the Hamburger Opernwoche; 8pm; Aug 23

LONDON

EXHIBITION
British Museum Tel: 44-171-6361555
● 19th century French Drawings from the British Museum: in 1965 art dealer César Mange de Hauke bequeathed to the British Museum 16 choice 19th-century French drawings from his collection; to Sept 15.

OPERA
Royal Albert Hall Tel: 44-171-5898212
● *Lulu*: by Berg. Conducted by Andrew Davis and performed by the London Philharmonic. Soloists include soprano Christine Schäfer, mezzo-soprano Kathryn Harries, tenor David Kuebler and baritone Wolfgang Schöne. Part of the BBC Henry Wood Promenade Concerts (Proms); 6.30pm; Aug 23

LOS ANGELES

CONCERT
Hollywood Bowl Tel: 1-213-850-2000
● Los Angeles Philharmonic: performance featuring conductor, pianist and entertainer Victor Borge; 8.30pm; Aug 23, 24

EXHIBITION
Huntington Library, Art Collection and Botanical Gardens Tel: 1-818-405-2100
● Landmark in Print Collecting: Masterpieces from the British Museum: the first exhibition of 100 prints selected exclusively from the British Museum's collection to travel to the US. The show features works spanning the history of western printmaking from rare 15th century German woodcuts to American etchings and lithographs of the 20th century; to Sep 29

NEW YORK

CONCERT
Avery Fisher Hall Tel: 1-212-875-5030
● Messiah: by Handel/Mozart. Performed by the Mostly Mozart Festival Orchestra with conductor Gerard Schwarz. Soloists include soprano Patricia Schuman, mezzo-soprano Nancy Maultsby, tenor Vinson Cole and bass Charles Austin; 8pm; Aug 23

EXHIBITION
The Metropolitan Museum of Art Tel: 1-212-879-5500
● Studio Glass in The Metropolitan Museum of Art: this exhibition of works from the museum's collection exploring the Studio Glass movement is the fourth in an ongoing series of exhibitions devoted to 20th century *design and architecture*. The display features 39 works, revealing the full diversity and range of forms, colours, subjects and techniques. Artists represented include William Morris, Howard Ben Tré, Mary Shaffer and Thomas Patti; to Oct 6

PARIS

EXHIBITION
Musée dArt Moderne de la Ville de Paris Tel: 33-1 53 67 40 00
● Georges Tony Stoll: the first solo-exhibition of this French photographer; to Sep 22

RIVOLI

EXHIBITION
Castello di Rivoli Tel: 39-11-9581547
● Max Ernst – Sculptures: exhibition featuring more than 60 sculptures – most of them in bronze – created by Max Ernst from the 1930s through the 1960s. Also included are 120 photographs of the artist by contemporary photographers such as Man Ray, Bill Brandt, Henri Cartier-Bresson, Berenice Abbot, *Ugo Mulas, Frederick Sommer* and Irving Penn; to Sep 15

SAN FRANCISCO

EXHIBITION
California Plaza of the Legion of Honor Tel: 1-415-863-3330
● Pergamon: The Telephos Frieze from the Great Altar: exhibition of rare and renowned *works of Hellenistic sculpture* from the second century BC. Twelve newly restored relief sculptures from the Telephos frieze that once decorated the interior court of the Great Altar of Pergamon are on display, along with 30 other works that help explain the original purpose and placement of the Telephos frieze. Included are statues, fragmentary sculpture and architecture of the Great Altar, a portrait head of an *Attalid king, and a series of* portraits on coins; to Sep 8

WORCESTER

CONCERT
Three Choirs Festival Tel: 44-1905-616211
● BBC Philharmonic: with conductor Martyn Brabbins, soprano Judith Howarth, contralto Sally Burgess, percussionist Evelyn Glennie and the Festival Chorus perform J.S. Bach/Stokowski's Toccata and Fugue in D minor, De Falla's El Amor Brujo, P.R. Bennett's Spells and James MacMillan's Veni, veni Emmanuel. Cathedral concert, as part of the Three Choirs Festival; 8pm; Aug 23

ZURICH

EXHIBITION
Kunsthaus Zürich Tel: 41-1-2516765
● Im Kunstlicht: exhibition featuring 20th century photographs from the museum's collection; from Aug 23 to Nov 10

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Financial Times Business Tonight

Peter Martin

The American challenge

Big businesses acquiring a presence in the US as part of their global strategies often find that the market is much tougher than it looks

For most of the past century the creation of global business enterprises has been an American story. With a few exceptions – Shell, Nestlé, Unilever, the big European drugs companies – most truly global businesses have had their roots in the US. Although companies from other countries have sold their products internationally, they have rarely created proper global business systems, with centres of production, research, sales and marketing spread around the world.

In the past decade, however, the story has changed. Japanese and German companies have started to set up manufacturing and research operations outside their home countries. Companies from Taiwan and South Korea have begun to build a global presence. And in a string of globalising industries, companies with ambitions to world scale have had no choice but to move beyond their historical regional strongholds.

For many non-American companies this poses a particular challenge: acquiring a substantial presence in the US market. The problem is not, as it is in many other countries, finding a suitable candidate for takeover. US companies are always for sale at a price; and in most sectors there are enough big publicly quoted competitors to allow an acquirer the luxury of choice. Munich Re's acquisition of American Re last week is just the latest example of a large US company passing painlessly – if expensively – into the arms of a foreign suitor.

The problems come once an acquisition is completed. History is littered with unsuccessful acquisitions of US companies: Midland Bank's purchase of Crocker Bank; Renault's acquisition of control of American Motors; United Biscuits's experience with Keebler; Bull's purchase of Zenith. And even where a foreign company has not stumbled into disaster in the US market, it has often failed to achieve the smooth integration of its new assets into a global business system. For many years both Philips and Unilever found that their US operations did not live up to their objectives, though they have since taken steps to assert tighter control. More recent arrivals in the US, such as Sony and Matsushita, have had similarly unhappy experiences.

Why is it so hard for foreign companies to succeed in the US? A simple reason is that the American market is so big that a successful US company is almost always a large one. Buying your way into the US market can thus mean doubling the size of your company overnight, and landing yourself with a new subsidiary which is as large as the rest of the business put together. Regardless of nationality, this is a recipe for internal tensions.

A second reason is more specifically American. The style of US business management – its positive-minded, can-do, business-school approach – is often intimidating for outsiders. The temptation is to leave managers who so obviously know their stuff to their own devices, financing their aggressive expansion plans but otherwise giving them their heads. Alas, that is too often a recipe for disaster: freed of the oversight provided by their own boards of directors, the managers of some newly acquired US subsidiaries have expanded towards the edge of a cliff. Midland's Crocker, Sony's Columbia Pictures and BP's Sohio are all good examples of this trend.

The third reason is that the US market is tougher than it seems. On the surface it appears eminently accessible: its fashions visible on television around the world, its business climate open and welcoming, its consumers anatomised in a million analyses and surveys. In practice, it is a much tougher market to compete in than outsiders imagine. Well-managed foreign companies that acquire under-performing US operations believe that the new subsidiary's margins will soon rise to the level of the parent's.

Too late they discover that there are good reasons why the US business is producing poor results – ones which cannot be fixed overnight. For example, retailing in the US is endemically less profitable than in Europe, yet European acquirers persist in believing they are exempt from this principle.

When making an acquisition in the US, the perennial question – why are they selling? – is particularly relevant. The business-school culture in which US executives are steeped inculcates a strong understanding of the company's market value: there are few bargains to be had. That should not deter a company needing to build global scale; but it does mean that there is less cushion between the price paid and the company's inherent value if things go wrong.

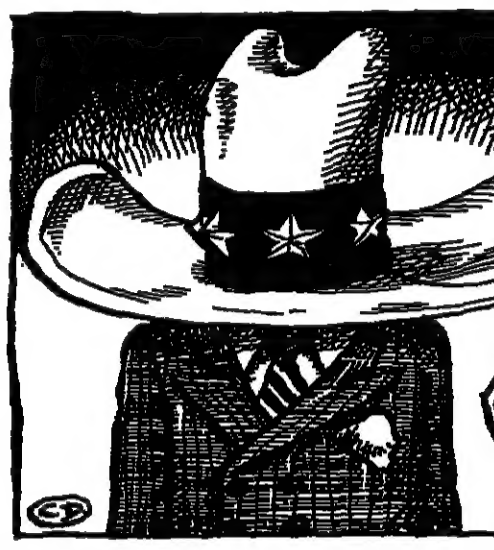
So how can foreign acquirers of US companies avoid the pitfalls? Several of the rules of thumb apply to all acquisitions, given extra force by the special characteristics of American business. For example, it is important to take real and rapid control of the new subsidiary. A purchaser usually has a fairly small window of opportunity during which big changes will be docilely accepted by the managers and staff of the acquired company. Once that has been left unexploited, resistance to subsequent changes will be much greater.

Taking control is particularly difficult when a key reason for the purchase is to take advantage of American creativity (as in Hollywood businesses) or innovation (as in high-technology companies). The trick is to preserve the creativity while making it clear to everyone at the new subsidiary that the rules of the game have changed.

A second, more specifically American, issue is the need to understand the US market in some depth at head office as well as at the new subsidiary. Unless the company's top managers understand the US market fully, they will never be able to assess the extent to which it really is different. Without such understanding, the parent risks forcing unwise policy changes on the subsidiary, to bring it misguidedly into line with practices elsewhere – or, just as bad, accepting uncritically the local management's argument that "things are different here".

A third way in which foreign acquirers can limit their US risks is to integrate their new acquisition into a proper global business system. That argues for a worldwide line of business management structure rather than one in which a giant north American region lords it over other, smaller, regional fiefs. In this, as in other ways, it helps to be big: the larger the acquiring company, the stronger its hand in dealing with its new colleagues – and the deeper the pool of management expertise available should the local management need to be replaced.

Despite these cautionary words, there are many examples of successful acquisitions in the US – including Siemens, BTR, and BHP. Some common themes that run through these stories are patience, a strong corporate culture, and the willingness to suffer through the bad times to get things right in the end. The creation of global businesses will inevitably push other companies into US acquisitions, and many more mistakes will be made. In the short run, the outcome will be windfall gains for US shareholders who are able to sell out at fancy prices. In the long run, the result will be the creation of a more balanced world business scene, in which an increasing proportion of the truly global companies are based outside the US.



BOOK REVIEW · Jurek Martin

THE DAY BEFORE YESTERDAY: Reconsidering America's past, rediscovering the present
By Michael Elliott
Simon and Schuster, 320pp, $24.00

Love affair with a nation of whiners

The good old days are all the rage in America. Bob Dole is running for the White House on the part-premise that he has seen the past and it worked, Bill Clinton has a book coming out called *Between Hope and History*, while even Ralph Nader, whose great years as a consumer activist go back a bit, is now the presidential nominee of the Green party.

The great virtue of Michael Elliott's well-written book, apart from benefitting from the fact that he is running for nothing, is that it offers a clear-eyed and generally persuasive analysis of the relationship between then and now.

Sometimes it takes a foreigner to see what a native cannot. But the love affair the British author – formerly Washington correspondent of the Economist, now editor of Newsweek's international edition and, as any reviewer must state, a personal friend – has with the US also shines through.

He begins it with his first sight of the not-so-New World in 1974, stranded at Kennedy airport in New York, rescued by a fellow traveller student and whisked off to a home on Long Island where he was exposed to a cornucopia of Gatsby-esque consumerism and to the open-hearted generosity typical of so many ordinary Americans.

Yet today, he notes, "Americans whine". For all their creature comforts, personal freedoms, and limited government, "they are convinced their life is miserable". Seventeen summers ago Jimmy Carter called it a "malaise", and earlier this year Bill Clinton called it a "funk," attracting only ephemeral attention because conventional wisdom now states, unvaryingly, that the country is "on the wrong track".

For the author, the "golden age," roughly defined as from 1945 to the assassination in 1963 of John Kennedy, was something between an illusion and an historical aberration. It was a period of relative tranquillity. Economic growth was solid, income and education were spreading, the family was more nuclear with a single male breadwinner, new products and technologies were proliferating, and the government, and even politicians, were trusted.

But that was hardly surprising for a country emerging relatively unscathed from a century dominated by war and imbued with great natural and human resources. The illusion of the golden age was that problems – race and class divisions, for example – were festering. It was also, inevitably, creating problems for ensuing generations to resolve, such as showing, through education, that a woman's place was not necessarily always at home.

Its aberration was that American history had been mostly turbulent, not merely as manifested by the Civil war but also in the social turmoil characteristic of the first 40 years of this century. The great melting pot did have a habit of boiling over, not least over the difficulty in assimilating earlier waves of immigrants. But from 1940-60 the influx, just 3.5m people, was the lowest for any 20-year span in a century and was far below today's level.

One of the book's constant delights is its frequent diversions from the national and general into the local and particular. Elliot's little profile of Willow Run, the once-great car assembly line outside Detroit, says almost all that needs to be about the US car industry and the decline of the city with which it was synonymous.

This is, ultimately, a pragmatic book. Those contemporary ideologues on the right, who consider the 1960s to be the root of all modern social and governmental evils, will find little in it to cheer. America, the author agrees, may be "a bossily bureaucratic place", stuffed with "overlapping nomenklatura" at federal, state and local levels, but this he considers a "second order concern", simply because a country so vast and with such deep-rooted regional differences "still needs glue".

Thus he finds little merit in the the proposition that "the demonisation of Washington and the deification of state and local governments can lead to a more efficient public sector". That was not even particularly evident in the golden age. If anything, a denationalised domestic policy "runs the risk of over-government".

But he concedes, freely and accurately, that it has been private-sector initiative which has transformed the country. "The air-conditioner," he writes, "did as much as any single artifact to make America a unified economic market." Starting in the golden age, it certainly dragged the south into the modern era, radically changing everything from its productivity and industry to its architecture, food and drink. Above all, it made the region tolerable to northern immigrants. Michael Elliott, another immigrant, does the same for his adopted country.

The Day Before Yesterday is available from FT Bookshop. Ring FreeCall 0500 418 419 (UK) or +44 181 964 1251 (outside the UK). Free p&p in UK

LETTERS TO THE EDITOR

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Role for UK at core of Europe

From Mr Brendan Donnelly MEP.

Sir, Ian Davidson is right in "No passing fad", (August 21) to point out that the prospect of enlargement is at least as important in promoting discussion about flexibility within the European Union as anything the British government says or does at the intergovernmental conference.

Equally, the different interests and approaches of large and small European Union states make the application of the traditional community method for decision-taking particularly difficult in the developing field of EU foreign policy.

A distinction needs to be made between institutionalised flexibility within the EU, and the concept of a "hard-core Europe". It is probably true that an institutionally flexible EU rapidly becomes unsustainably complicated. But it is clear to me that, one way or another, a small band of European states around France and Germany will be looking over the coming years to reinforce their co-operation and integration within the EU.

It will be the crucial question of British politics over the next 10 years whether the United Kingdom wants to be part of that hard core or not.

**Brendan Donnelly,
72 High Street,
Brighton,
East Sussex BN2 1RP, UK**

Coverage of conflict in Cyprus

From Ms Yiouli Taki.

Sir, I am deeply disturbed by the British media's failure to separate two simple facts about the benighted island of Cyprus.

The Turkish invasion of 1974 was a violation of the territorial space of Cyprus which wrought death and destruction.

Simultaneously, for Turkish Cypriots it was an act greeted as a rescue operation given a preceding history of serious inter-ethnic conflict.

It is, however, grossly inappropriate to conflate these two facts in trying to understand the recent deaths on the Green Line.

Greek Cypriot protests cannot be reduced to acts of anti-Turkish Cypriot aggression.

The brutal and ultimately barbarous execution of unarmed Greet Cypriots cannot be rendered as the general desire of Turkish Cypriots. Yet the British media continues to interpret the recent events in precisely this way.

Consequently, not only does misrepresentation occur, but the presumed logic of partition is surreptitiously reinforced – a "resolution" of the conflict which few recognise as sustainable, let alone desirable.

**Yiouli Taki,
74 Liverpool Road,
London N1 0QD, UK**

Demise of vocational training

From Mr Graham Hallett.

Sir, Your editorial "A failed exam", (August 15) on the misplaced A-level controversy is apt but there is a wider problem.

For half a century, British education has failed in vocational and technical training for those not so academically gifted.

Under Conservative policies the situation has gone from bad to worse. On-the-job training has been nearly eliminated by the expansion of university education, while the former technical colleges and polytechnics which used to provide vocational courses now compete to introduce "advanced" teaching and research to show they are "proper" universities.

One looks in vain to the opposition parties for any radical critique of this educational monoculture.

**Graham Hallett,
10 Coed-yr-Ynn,
Rhiwbina,
Cardiff CF4 6PH, UK**

Facts and myths surrounding ethical investment

From Mr Steven Burkeman.

Sir, Leyla Boulton's article on ethical investment (Weekend Money, August 17) manages to perpetuate at least two myths about ethical investment in the UK. One is that only £1bn ($1.56bn) is managed according to ethical criteria in this country. This ignores the many, often long-established, ethical investors among the churches and charities. The true figure is probably four to five times greater.

Another myth is the notion that there is a meaningful contrast to be made between "positive" and "negative" approaches to ethical investment.

There have always been a few investors with a special sensitivity to certain issues. It is now more than 25 years since some medical charities were embarrassed by the disclosure that they held tobacco shares. They have learned that if they do not address this issue their ability to raise funds from the public will be affected.

The movement towards what may be termed "broad spectrum" publicly available, ethical funds was founded on a view that the ethical requirement and financial interests of most investors could best be met by a mixture of avoiding companies whose activities cause material damage in the world and favouring those whose contribution is positive.

In many cases, the issues – relating to the nature of products and services and the way companies run their businesses – are the obverse and reverse of each other. Thus it is natural to avoid companies with a cavalier attitude to the environment and to favour those that address their responsibilities.

The Joseph Rowntree Charitable Trust which has been engaged with these issues in various ways since the late 1960s started to invest along these lines in 1975, when it first found itself with funds other than its holding in Rowntree Mackintosh.

Our investment policy included reference to the nature of companies' products, employment practices, good customer relations and good neighbourliness.

The need for similar funds available to the public and small charities had already been identified and that was an issue on which the trust and others continued to work. This resulted in the foundation, with our support, of Friends Provident's Stewardship Unit Trust in 1984 with a substantially similar ethical approach.

While a few single-issue funds exist, the public ethical market is dominated by broad-spectrum funds which combine "negative" and "positive" criteria for investment selection.

Few investors who prefer to avoid tobacco or arms manufacturers would be happy to make an exception for one with outstanding employment practices.

**Steven Burkeman,
trust secretary,
The Joseph Rowntree Charitable Trust,
The Garden House,
Water End,
York YO3 6LP, UK**

FINANCIAL TIMES

Number One Southwark Bridge, London SE1 9HL
Tel: +44 171-873 3000 Telex: 922186 Fax: +44 171-407 5700

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Forgiving but not forgetting

South Africa's Truth and Reconciliation Commission, chaired by Archbishop Desmond Tutu, has been a brave, idealistic and high risk venture from the start. It has been about forgiving, but not forgetting, the deeds and misdeeds of the apartheid era.

The idea has been to draw a line under some of the acts of violence and betrayal committed during the past decades of civil strife and civil war, by bringing them into the open. The perpetrators of crimes committed in the name of apartheid, or of liberation, should confess, and be eligible for an amnesty. The victims of such crimes should be given the chance to tell their stories, and seek reparation.

Archbishop Tutu sees his commission as a compromise, "between those who want amnesia, and those who want retribution". If justice alone were allowed to take its course, the country would be reduced to ashes, he said just before the commission began. On the other hand, the commission is not demanding contrition, but merely truth, as a precondition for amnesty.

The risk, of course, is that by exposing old wounds, the commission will not help to heal but to inflame them. The danger is that by bringing crimes into the open, the demand for retribution will be made irresistible. Many will argue that those guilty of such crimes must not escape their just deserts. And yet so far the exercise seems to be succeeding in its extraordinary task, of promoting reconciliation instead of confrontation.

Peace prize

Yesterday Mr F.W. de Klerk, the former South African president and National party leader, took the stand. When he negotiated with his successor, Mr Nelson Mandela, to hand over power to majority rule – an achievement for which he genuinely earned his shared Nobel peace prize – he tried to promote the path of amnesia, rather than retribution. He wanted simply to draw a line under the past. It was not enough for the black population, which had suffered so much under the apartheid yoke.

Mr de Klerk went a long way yesterday to recognise that suffering, and the responsibility of his party in causing it. He stopped short of a fulsome apology. He admitted that the apartheid system had caused "immeasurable pain and suffering to many." He expressed his "deepest sympathy" to all who had suffered, on all sides, in the ensuing conflict.

Underhand operations

While agreeing that his regime was responsible for "unconventional methods" in defending itself, Mr De Klerk insisted that he, as head of state, had never authorised assassination, murder, rape or assault. Others might have acted incorrectly, or overzealously, he insisted, but they were not following orders.

In the light of what is known about the underhand operations of the South African state, it is a pity Mr de Klerk could not have gone further. Why did he not do more to restrain such activities, and to investigate them when they were exposed? The death toll of political prisoners in police custody and the dirty tricks of the security forces remain an indictment of a system which pretended to observe the rule of law.

It is not only the cause of reconciliation which would be helped by a complete confession from the leader of the National party. It is the future of that party itself. Mr de Klerk said that its policies today are diametrically opposed to those it espoused before. That is yet to be entirely credible. Mr de Klerk's apology stopped short of complete understanding of where it went wrong.

And yet the former president's statement yesterday would have been unthinkable in the very recent past. Mr de Klerk said that he knows how hard it is to say sorry in public. He tried, and he almost succeeded.

Burning up the profits

The long-suffering shareholders of British Gas may feel justifiably anxious about what they own. One thing they bought with their shares was the monopoly right to sell gas to UK consumers, with the guarantee of making a fair return. However, when British Gas's transportation and storage business was separated off into TransCo, the picture became much more confusing.

In terms of profit and turnover, TransCo is by far the most important part of British Gas, accounting for almost all the parent company's profit and about 40 per cent of the cost of gas to consumers.

So what precisely are all those pipes worth? Estimates vary wildly from some £17bn (TransCo's figure) to only £5.6bn (the estimate of the Gas Forum, which represent's TransCo's customers). Establishing a proper value for these assets is highly important for investors because it is the base on which the regulator calculates a reasonable return from which the price formula is then derived.

Yesterday Ofgas published what it describes as "final proposals" to settle a long dispute over this question. They are a compromise compared with its previous, extremely tough consultation document issued in May, but still much less than the company wants.

Their effect would be to reduce transportation charges sharply from next April, by 20 per cent in the first year and then by 2.5 per cent a year for the rest of the five-year review period.

General principles

These figures result from much detailed argument about the extent to which TransCo can reduce its operating costs, as well as disputes about which accounting practices should be used to establish the value of the assets. However a number of issues of general principle stand out.

First, should shareholders be entitled to a "fair return" on the book value of the assets, depreciated according to current cost accounting rules? Or should the return be calculated on what they actually paid for the business, namely the market value at the time of privatisation? Ofgas has rightly opted for the latter approach, though using the 1991 market value.

This puts the value of the assets at £11.7bn, rather higher than it suggested in its earlier proposal, but well below TransCo's estimate which is based on the book value.

Network renewal

The second and related question is who should pay for the renewal of the network when it eventually wears out in perhaps 20 or more years. Under TransCo's proposal of full CCA accounting, today's consumers would be paying substantially more than was needed to fund present investments. But could the company be trusted to use that surplus to ensure that it will have funds to replace the network many years hence? Or might it spend the cash on directors' remuneration, fat dividends and silly acquisitions?

The Ofgas proposal strikes a compromise, in effect giving the company £100m a year more than it needs for current investment, but only a quarter of what the company says would be needed to build up funds to replace its pipelines under full CCA accounting.

Although Ofgas's argument is untidy, the compromise seems sensible in the light of what other regulators have been doing. Nevertheless the dispute with British Gas emphasises the need for a more explicit common approach to be agreed between regulators. This should establish how assets are to be valued, and the rules under which monopolies can expect to earn a regulated return on future investments.

A good understanding already exists on some of these issues and on how to calculate an allowable rate of return (about 7 per cent in current conditions). But to maintain public confidence in the regulatory process all the main bodies must be clearly seen to be marching in step.

Day of the dish for BSkyB

The company profits from broadcasting in quantity – and its viewers are richer than many realise, says **Raymond Snoddy**

The assassination of Israeli prime minister Yitzhak Rabin happened just before 9pm UK time on the first Saturday of November 1995. Because it is a 24-hour television news station, Sky News, one of the satellite channels of Mr Rupert Murdoch's British Sky Broadcasting, was able to clear its schedule for one of the biggest stories of the year.

The news programme that followed was rough at the edges and sometimes hesitant. But the link with Sky's Jerusalem bureau and Keith Graves, its correspondent who is a former BBC Middle East specialist, was kept open.

The programme flew by the seat of its pants, but it was Middle East history in the making. Ten minutes into the programme Graves had already managed to grasp the essential point – that the murderer was an Israeli extremist not a Palestinian. And by continuing to talk to London live while listening with one ear to Israel Radio he was able to report before another 10 minutes was up that the "usually reliable" radio station was reporting that Rabin was dead. Another 10 minutes and Sky News had produced a basic obituary with library clips from his life and career.

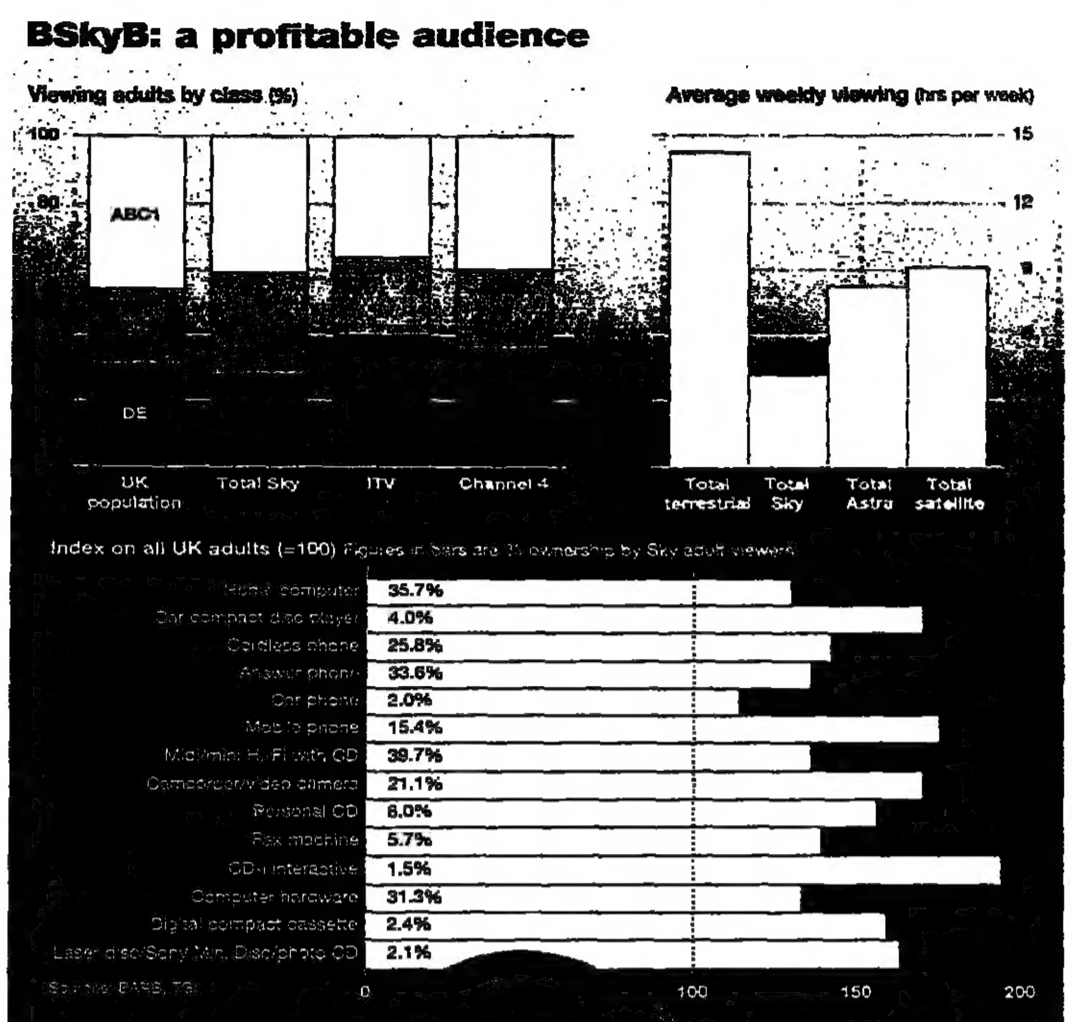
The main point is not that the Sky News reporting was brilliant – although it was very good and got all the story right – but that it was there at all.

The conventional broadcasters issued news flashes, but they had schedules to stick to in the form of drama and films for the peak Saturday evening viewing time.

When the main Saturday evening news bulletin came on the BBC an hour or so later it was a polished and professional effort that combined views from every relevant capital – Washington, Cairo, London and Tel Aviv – and an accomplished television assessment of the late prime minister's life. But it was an hour late.

Sky News, financially one of the least important ingredients of BSkyB's package of channels that will soon total 40, is a perfect example of the advantage virtually unlimited airtime can give.

In contrast to the traditional mixed channels of the BBC, ITV or Channel 4 – or ABC and NBC in the US – the BSkyB satellite television programme service can devote entire channels to genres that interest its viewers.



Gerry Robinson Sam Chisholm Rupert Murdoch

Apart from broadcasting television news without pause around the clock, the Sky channels transmitted more than 2,000 feature films in the past year. In the first half of BSkyB's financial year, seven new "channels" – or more precisely programme services occupying segments of the day – were launched, accompanied by the usual price rise. This autumn 11 new "channels" will launch, including seven new services produced in a joint venture with Granada Media, part of the Granada group chaired by Mr Gerry Robinson, also BSkyB chairman. They are the television equivalents of glossy magazines and will cover such topics as motoring, health and beauty, and homes and gardens.

On no less than three sports channels Sky is adding 170 live games from the Nationwide Football League to its already extensive English Premier League coverage, which this season will feature such world-class stars as Fabrizio Ravanelli of Middlesbrough.

"Sky's changed the landscape of British television. It's revolutionised sport and it created more than 50,000 jobs," says Mr Sam Chisholm, the BSkyB chief executive and the man more responsible than any other for turning the heads of investors and financiers as well as football fans. The jobs range include installers of dishes, manufacturers of decoders and two customer-service centres in Scotland.

The numbers that sparking the greatest interest this week are BSkyB's pre-tax profits of £257m for the year to the end of June 1996 on annual revenues that topped £1bn for the first time.

During the year more than 900,000 new homes signed up to take the total of BSkyB subscribers via satellite dish and cable networks in the UK and Ireland to more than 5.5m.

But who are the Sky viewers? Is Sky, as has often been alleged in the past, "council house television?" Is Mr Rupert Murdoch, whose News Corporation owns a 40 per cent stake in BSkyB, getting even richer by once again refusing to underestimate the public taste?

The market research tells a very different story. The Sky audience is indeed distinctive compared with other commercial broadcasters but not in the way most people expect.

Sky has a younger than average audience and is particularly strong in homes where there are young children. Children constitute nearly a quarter of the occupants in a satellite home, compared with 17 per cent in all homes. At the other end of the age scale only 14 per cent of those who receive satellite channels are over 55 compared with 28 per cent of the UK population.

The economic differences are also pronounced. According to the RSMB Establishment Survey and BARB, the television ratings organisation, Sky viewers follow closely the marketing demographics of the UK population as a whole.

In the UK 46 per cent of the population belong to the ABC1 managerial and professional social groups. Among Sky viewers the figure is 41 per cent, a figure that compares with 40 per cent for Channel 4 and 36 per cent for ITV. Sky's share of the C2 skilled workers group is 28 per cent, compared with the national figure of 31 per cent.

Independent research shows that the average income in Sky homes is £23,145 compared with the national average of £20,078.

Sky Television has benefited from the fact that two of its most successful programme genres – sport and movies – are relatively classless. The enthusiasm for football is reaching into almost every social niche, and for those who do not like football Mr Murdoch is happy to offer rugby, cricket and golf.

Golf, in particular, is being built up as a BSkyB speciality with the attendant commercial opportunities to advertise golf balls and clubs to precisely targeted audiences.

"It's a £1m business this year and will be a £2m business next year," says Mr Tony Vickers, the BSkyB director of advertising and former advertising head at TV-am, the UK's first commercial breakfast television station.

Last year BSkyB increased its advertising revenues by 20 per cent to £110m, although advertising's proportion of total BSkyB's revenues continues to decline in what is increasingly a subscription business.

Apart from being younger and a little more upmarket than average Britons, the BSkyB audience behaves rather differently in the marketplace. On virtually every index Sky viewers as consumers spend more than the average on everything from washing machine detergents to baked beans. They also like gadgets and are more interested than the average in trying new products. Sky viewers are much more likely, for example, to have a mobile telephone.

Earlier this year BSkyB, including satellite channels provided by other operators such as Flextech, took a 10 per cent share of total television viewing in the UK for the first time.

And according to BARB, in the week ending August 11, total cable and satellite viewing in multi-channel homes reached, 39 per cent of all viewing for the first time.

Recent research for the Independent Television Commission, which regulates all commercial television in the UK, found that 89 per cent of cable and satellite subscribers thought they were getting a much wider choice of programming by subscribing; and 47 per cent found terrestrial television boring and staid compared with cable and satellite.

It is a strong base for Mr Murdoch to embark on his next risky venture – extending the present 40-channel choice to between 200 and 300 channels with the launch of digital satellite television in the UK in the last quarter of 1997.

By then BSkyB will have moved beyond conventional television to the provision of pay-per-view movies and sport on demand, not to mention home shopping and home banking using a sophisticated "black box" decoder. This is being designed now, complete with high-speed modem to link the television set via the telephone line with digital satellites in geostationary orbit over the equator.

As if launching digital satellite television in the UK was not challenge enough, BSkyB also moved last month on the German market in a joint venture with Mr Leo Kirch's Kirch Gruppe. The BSkyB investment in the venture could easily top £200m.

This week's results already emphasise the power of subscription television in the UK market and the financial dominance it can bring. With analysts predicting that BSkyB will have more than 9m subscribing homes by the year 2000 it is a power that is likely to grow.

· O B S E R V E R ·

Gunning for Poland

■ Britain's second world war battle hero, Field Marshal Bernard Montgomery, never made it in 1945, but Brigadier David Montgomery – a distant relation – will rectify the omission a mere five decades later.

The brigadier is spearheading hundreds of tanks from the British Army's 7th Armoured Brigade onto Polish soil on September 8, 57 years to the day that Britain declared war on Germany.

But why Poland, when the British army has been content to plough up German fields and roads for so long? Montgomery, the unit's commander, says that as the environs of Drawsko, a former Warsaw Pact training ground, are less populated than their equivalents in western Europe, local residents can be expected to cause less of a fuss. Moreover, its hilly terrain and size – 400 sq km – make it perfect for war games.

The cash-strapped Polish military are more than happy to rent out the facility for the British army to play soldiers on. Indeed, the Poles hope it will become an annual feature.

It's unlikely the Germans will be so pleased. As the brigade rumbles slowly across Germany towards Poland, grumbles can be expected from civilian motorists out for a spin on August's last weekend. The cavalcade could produce the "largest traffic jam of the century" says Montgomery, displaying the kind of blunt honesty for which his better-known ancestor was renowned.

Don't call us

■ Here's a tip for the unknown executive who will shortly fill the heir apparent's seat at US telephone giant AT&T – the position became suddenly vacant this week with the unexpected departure of the company's dynamic president, Alex Mandl. Ceasing harassment of your own customers might actually be a brilliant sales technique.

In the free-for-all that is fast developing in the US telephone market, the favoured method for wooing customers is – surprise, surprise – the telephone. The result: a barrage of early-evening nuisance in-home sales calls across the country.

AT&T, not content to annoy other company's customers, has taken to annoying its own as well – most recently, by calling them regularly to remind them how much money they are saving by using its services.

This kind of thing tends not to engender the sort of goodwill AT&T seems to have in mind. One of Observer's associates, pushed to distraction, recently issued a promise to one such AT&T salesperson: just stop calling, and I promise not to switch 'phone company. This could catch on.

Battling on at 92

■ Not coming to your screens soon is Battles for Glory over the Taihang Mountains, a film dedicated to the life of China's paramount leader Deng Xiaoping, 92 today.

The film – to call it a movie might imply a degree of animation it's believed not to possess – depicts Deng as a young man in the guerrilla war against the Japanese in the late 1930s and early 1940s. The People's Liberation Army provided extras, trucks and even a few armoured cars. The Deng family also played its part, and are said to have been generally pleased, if less than thrilled with certain love scenes – which were cut.

Its director is actress Qin Yan, who says: "We are treating him as a person. We want people to feel closer to this man". Chinese citizens might be forgiven for not feeling terribly close as things stand, having not seen Deng in public since 1994.

But the exercise clearly has one important lesson for Hollywood; the production took only six months and cost a pittance, the equivalent of $1.1m.

Smiling lawyers

■ McDonald's is not trying to wipe the smile off a Lithuanian competitor's face – just the Mc from its name. Lawyers for the giant American fast-food chain are currently pursuing through the courts the McSmile restaurant group, claiming "Mc" is a company trademark.

McSmile, which opened in the Lithuanian capital of Vilnius before the American giant arrived on the scene, is contesting the case. "Why doesn't McDonald's demand that the law company, McDonald Will and Emery, which is defending us in the trial, also drop the prefix 'Mc' from their name?" McSmile asks.

The deep end

■ Staff at a British sea life centre believe they have found the toughest goldfish in the world – after it was found swimming in a display with 100 piranhas. The courageous carp may have been thrown into the tank as a prank by a visitor to the Great Yarmouth Sea Life Centre. It will soon leave its new friends for its own bowl. But who's going to reach in and fish it out?

The Financial Times

100 years ago

Whisky and Water
We fear that the prospectus of the "Old Bushmills" Distillery Company Limited possesses a particularly musty flavour that is hardly likely to appeal to the City palate. For some two years the business has been hawked about London, but hitherto companies have been resolute total abstainers when invited to partake of the new blend. The distillery company has been in liquidation for some years, and we think this little fact might have been worth mentioning for the prospectus.

50 years ago

Siamese Rice for Malaya
Broadcasting on the critical food situation in South-East Asia, Lord Killearn, British special commissioner, paid a tribute to the efforts now being made by the Siamese Government to fulfil its obligations regarding rice shipments, the failure to meet which resulted in last week's cut in the Malayan ration scale. Lord Killearn said the Siamese prime minister had had taken "stern and even desperate measures" to ensure that Siam lives up to her pledged word and responsibilities. Enough rice was now available in Bangkok, and shipping was available to move it to Malaya.

FINANCIAL TIMES
Thursday August 22 1996

Branson's island idyll hits planning problem

By David White in Banyalbufar, Majorca

Mr Richard Branson's ambition to develop the ultimate in idyllic Mediterranean hideaways has hit an unexpected problem over planning permission.

The head of the Virgin airline-to-radio empire is in a tense stand-off with a Majorcan village council – controlled by a local left-wing ecology party – over plans for a £20m ($31.2m) complex.

The 600-acre site is on the island's mountainous north-west coast, amid slopes covered with pine and olive trees and including three miles of untouched coastline.

Mr Branson's plan is to convert a mansion on the Son Bunyola estate, which dates in part from the 16th century, into a 60-room hotel. Rooms with sea views could cost about £400 a night, cars would be banned, and guests would travel around by horse and cart.

The dispute centres not on the hotel itself but on houses Virgin wants to build in the grounds, which Mr Branson says would make the project economical. A previous conservative administration of Banyalbufar council issued licences for the first two houses. But the present mayor Mr Antoni Mora, a 38-year-old bar-owner, has imposed a freeze on all new licences pending approval of a strict new building code.

Mr Mora says the new urban plan would allow no new construction at all in rural parts of the borough.

Mr Branson said he would offer to cut the number of houses from 10 to five, but is threatening to sell the property. Speaking from another Virgin paradise, Necker Island in the Caribbean, Mr Branson said: "If we haven't got permission sorted out in the next six weeks, we'll either put the property on the market or turn it into a rather nice private house."

The plan for Son Bunyola would make it "even more special" than La Residencia, his property 15 miles along the coast at the literary and artistic haunt of Deià.

Prices there range from £150 to £500 a night, and the guest list has included the Princess of Wales and pop stars including Sting. Suites at the new hotel would be "twice as big", said Mr Branson, and most would have private pools.

Already, £3m has been spent on buying and cleaning up the property. A vineyard was planned, and olive groves have been re-established.

Mr Mora – in his jeans and sandals a match for Mr Branson's casual style – was mystified by the sell-out threat. "We don't understand this. We never said we would not accept the hotel," he said.

Virgin territory, Page 2

Shares in Finnish feed group boosted by new claim

By Chris Brown-Humes in London

Raisio, the Finnish group behind the cholesterol-lowering margarine, Benecol, which sent its share price soaring, said yesterday it had discovered a new dairy cattle feed.

The formula, if adopted throughout the European Union, could cut feed costs by more than $1bn a year, the group said.

It would be the second breakthrough in a year for Raisio, which stepped into the international limelight after launching Benecol late last year. Benecol costs six times as much as normal margarine but because it is said to cut the risk of heart attacks, it sells out virtually the moment it reaches the Finnish shops.

Yesterday's news gave a further boost to Raisio's shares, which have soared fivefold since last November. At one point they were 8 per cent higher at FM322, but settled to close at FM300, up FM2. With a market capitalisation of FM4.1bn ($890m), Raisio is now one of Finland's top 20 companies.

Raisio said its discovery was linked to the role of histidine, an amino acid, in milk production. It said dairy cattle would produce the same amount of milk if fed, as part of their diet, six grammes of histidine as against 1kg of normal protein feed. The composition of the milk and the health of the animals would also improve, it said.

Raisio estimated the cost saving could average FM1 per head of cattle per day. "This would yield annual savings of FM120m in the feeding costs of cattle in Finland alone, and savings of FM3bn to FM5bn in the entire EU area," it said.

The group is seeking to patent the formula. Research was carried out jointly by Raisio Feed and Finland's Agricultural Research Centre. Raisio, which has activities in foodstuffs, animal feeds and chemicals, has Finnish cattle feed sales of FM250m a year, giving it more than a third of the domestic market.

Mr Michael Finney, analyst at Kleinwort Benson in London, said: "This demonstrates again that Raisio are an extremely interesting company. But I am still waiting to be convinced about the cattle feed."

Raisio is planning a rapid expansion of Benecol production to meet the surge in demand. Tests, backed by the New England Journal of Medicine, showed that daily consumption of 25 grammes of Benecol – the amount spread on two pieces of toast – reduced total bloodstream cholesterol by 10 per cent.

THE LEX COLUMN

Browser bruisers

Running to teacher is normally a sign that one cannot hold one's own in a fight. That is certainly so in Netscape's complaint to the US Department of Justice about Microsoft. Once Mr Bill Gates trained his guns on Netscape last December, the Internet software pioneer had three options: it could out-innovate Microsoft; rely on Microsoft's unpopularity to win allies in its fight; or complain that it was being bullied. The fact that it has chosen the last option shows the other two are failing. Not only has Microsoft largely caught up with Netscape's technical prowess; it has signed up allies to distribute its software.

Mr Gates has certainly deployed aggressive tactics in the battle of the browsers – for example, giving it away for free and offering inducements to distributors to market it rather than Netscape's software. But whether this constitutes illegal anti-competitive behaviour is unclear. Though past anti-trust actions against Microsoft have had little success, some at the DoJ would probably love to tear a strip off it. Still, the fact that Netscape is reduced to playing the anti-trust card shows how much has changed since last year's flotation, when it seemingly walked on water.

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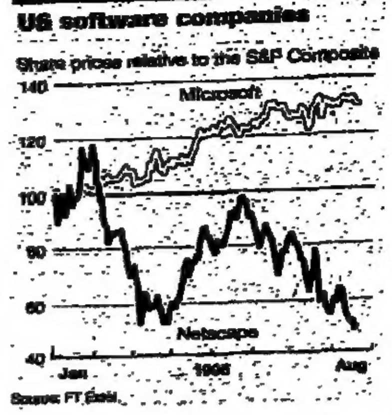


Bundesbank

The Bundesbank council meets today amid fevered anticipation. If rates are left unchanged, doomsters predict heightened Emu tensions. The market's fears are understandable, but misdirected. Concerns about the Maastricht process extend far beyond anything that can be solved at the fortnightly gatherings in Frankfurt. Council members would doubtless wish to be good Europeans, but they cannot be expected to resolve the fundamental contradiction between the demands of the Maastricht timetable and the needs of Europe's economies. That is in the lap of the politicians.

In fact, there are good reasons for expecting a small cut today. Neither German money supply figures nor inflation is a problem, while the government's finances are being brought under control. Having delivered on its primary mandate of price stability, the Bundesbank is also required to support government policy. This involves fostering economic recovery in order to help lower unemployment. The two main threats would be an overvalued D-Mark and falling business confidence. These could be easily enough avoided. A small easing of the repo rate should curb further flows into the D-Mark and bolster business confidence, while not causing alarm to the bond market. Of course, it would also please Germany's neighbours. But markets would in future be unwise to rely on such a benign coincidence of interests.

China

The suspicious silence accompanying today's 92nd birthday of Chinese patriarch Deng Xiaoping would probably have sparked a steep drop in the Hong Kong stock market a year ago, given recent rumours of his death. The difference now is that while the architect of China's great reform programme is clearly very ill, the structure of those reforms is sufficiently established to outlast him. Moreover, his political successors are well entrenched, ensuring a relatively stable transition under President Jiang Zemin – at least in the short-term.

There is a definite consensus on the direction of reforms, but even the pace has become more certain. Mr Deng's strident rallying cry of "to get rich is glorious" has been diluted into a more measured approach to economic management. And the long absence of Mr Deng from the political stage has damped down support for his reformist princelings, as has the wave of corruption that tainted the excesses of the early 1990s.

Indeed, the traditionally apolitical Hong Kong has become a source of far greater political uncertainty. The appointment of a chief executive this autumn – to replace the governor – will set the tone for the July 1 hand-over to China. The appointment of the favourites – the dream team of shipping tycoon Mr Tung Chee-hwa, supported by chief secretary Mrs Anson Chan – would do wonders for local confidence. Rumours over this selection should become a far greater influence for the stock market than Mr Deng's health.

British Gas

Amid all British Gas's huff and puff yesterday, it was easy to miss the fact that the company has secured significant concessions from its regulator. Ms Clare Spottiswoode has given ground on the value of BG's core pipeline business, how much its capital costs and what its operating expenses should be. The net effect is a proposed regime that will cut BG's prices by about a third less over five years than originally proposed.

The big question is whether BG is really unhappy or just pretending. Pretending makes sense: so long as Ms Spottiswoode's reputation as a consumer champion is secure, she will not be under pressure to toughen her stance. But if BG is really unhappy, all it can do is complain to the Monopolies and Mergers Commission. BG's main gripe is that it should be able to depreciate the full replacement cost of its assets. But given the widespread consensus that the assets themselves should be valued at a discount to replacement cost – to take account of the fact that they were privatised on the cheap – BG seems to be on a hiding to nothing with this argument.

If BG does accept the proposals, the impact on its shares could be positive. True, a cut in the current 14½p dividend looks on the cards. But the group could probably pay a 9p dividend from the pipeline business and, at worst, maintain it in real terms. Putting that, conservatively, on an 8 per cent yield would give a value of 140p. BG's three other businesses – UK marketing, exploration and international operations – could be worth another 100p. Some discount to the sum of the parts is natural. But the difference between a 240p break-up value and the current 204½p share price shows the scope for improvement.

Additional Lex comment on building societies, Page 14

Shares lure by Telekom

Continued from Page 1

hopes – private investors will be given preference over other shareholders in allocations, the company said.

Mr Kröske also said that the 1.5m private investors who had already become members of Deutsche Telekom's share information forum, an initiative designed to publicise the issue, would receive preferential treatment if they applied for shares before the November deadline.

Mr Kröske said the shares would be listed in New York, Tokyo, Toronto and Montreal and would be traded on the Seaq market in London. The company would also list on all eight of Germany's regional bourses.

USAir call

Continued from Page 1

Boston to Heathrow. USAir, which is applying for routes into Heathrow, says it wants to re-enter the US-UK market under the "open skies" bilateral air services agreement being negotiated between the US and the UK – an accord it says it strongly supports.

USAir used to have three routes between the US east coast and London.

BA said it welcomed USAir's support for an open sky agreement between the two countries.

Samsung reopens talks to purchase Fokker Aircraft

By Bernard Gray, Defence Correspondent

Samsung, the South Korean conglomerate, has re-opened detailed negotiations to buy the Dutch Fokker Aircraft manufacturing company.

The talks, intended to be concluded within the next two months, may be the last chance for Fokker's manufacturing plant, which is rapidly working through its order backlog following the collapse of its parent company earlier this year.

The talks restarted after a consortium involving the Korean company failed to win a place in a consortium to design a 100-seat short-haul regional jet for China.

Samsung has ambitions to expand into manufacturing regional jets, and with a potential Chinese link ruled out, Fokker offers access to jet technology.

AI(R), the regional aircraft joint venture between British Aerospace and the Franco-Italian group ATR, has formed an alliance to design a 100-seat regional jet with Aviation Industries of China and Singapore Technologies, in a grouping which has excluded both Boeing and Samsung.

Development of the aircraft is likely to cost about $2bn, with a large market predicted for the airliner in the rapidly-growing Pacific rim zone.

If the negotiations to acquire Fokker are successful, Samsung is thought likely to retain manufacturing of the existing Fokker 70 and 100 aircraft in the Netherlands.

The proposed Fokker 130 aircraft, under discussion before Fokker's collapse in the spring, would probably be manufactured in Korea once development had been completed.

However, time is short if Fokker is to survive. The company's manufacturing workforce has already been reduced several times and further cuts are likely next month as the last batch of aircraft due to be assembled are processed.

Fokker's design team has already shrunk to a level which might not allow it to complete work on the Fokker 130 project, which is at an early stage. Some work on a cockpit for the aircraft has been done, but new wings and engines are likely to be needed for the design.

The manoeuvring by Samsung and AI(R) could lead to two 100-seat aircraft being developed for the regional airliner market, perpetuating overcapacity in a sector dogged by poor profitability.

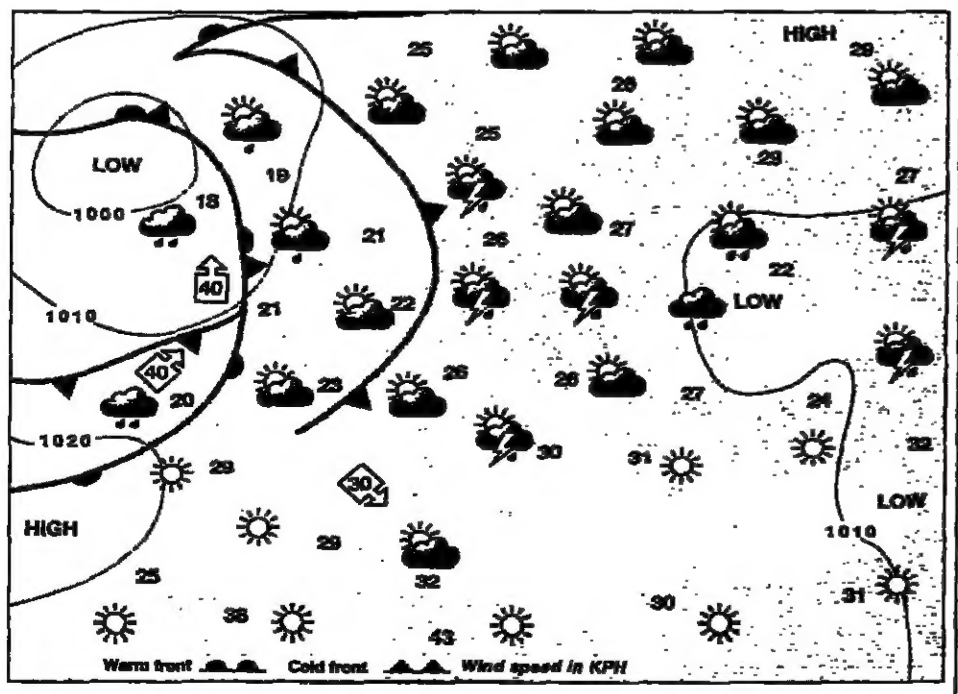
FT WEATHER GUIDE

Europe today

The first of a series of fronts that will import colder air into the mainland this weekend will bring a mixture of sun, cloud and rain. The Benelux will have sunny periods but Germany and eastern France will be rather cloudy with rain and thunder showers. Western France will be fair with sunny periods. Most of Spain will be sunny and warm but the north-west will have rain. A few thunder storms will develop in Italy. Switzerland will have a few showers and Austria will have sunny periods. Greece and Turkey will have a lot of sun, except around the Black Sea.

Five-day forecast

A front approaching from the Atlantic will bring showers to western Europe tomorrow and during the weekend. Southern Scandinavia will have heavy rain on Saturday. Austria will also have rain. Greece and Turkey should be sunny.



Situation at 12 GMT. Temperatures maximum for day. Forecasts by Meteo Consult of the Netherlands

TODAY'S TEMPERATURES

	Maximum	Beijing	rain 25	Caracas	thund 32	Faro	sun 26	Madrid	sun 29	Rangoon	shower 28
	Celsius	Belfast	rain 18	Cardiff	rain 18	Frankfurt	shower 22	Majorca	sun 28	Reykjavik	sun 14
Abu Dhabi	sun 43	Belgrade	fair 24	Casablanca	sun 26	Geneva	shower 22	Malta	sun 31	Rio	sun 25
Accra	fair 28	Berlin	fair 26	Chicago	thund 32	Gibraltar	sun 28	Manchester	shower 18	Rome	thund 29
Algiers	fair 30	Bermuda	fair 28	Cologne	thund 21	Glasgow	shower 19	Manila	thund 32	S. Frsco	sun 22
Amsterdam	fair 21	Bogota	fair 19	Dakar	fair 32	Hamburg	thund 24	Melbourne	rain 15	Seoul	shower 30
Athens	sun 30	Bombay	shower 31	Dallas	thund 34	Helsinki	fair 25	Mexico City	fair 17	Singapore	fair 32
Atlanta	fair 32	Brussels	fair 21	Delhi	shower 29	Hong Kong	shower 31	Miami	thund 31	Stockholm	sun 26
B. Aires	fair 26	Budapest	fair 26	Dubai	sun 42	Honolulu	sun 32	Milan	fair 28	Strasbourg	shower 22
B.ham	shower 19	C.hagen	fair 25	Dublin	rain 18	Istanbul	sun 27	Montreal	fair 28	Sydney	fair 18
Bangkok	shower 35	Cairo	sun 33	Dubrovnik	fair 26	Jakarta	fair 31	Moscow	fair 27	Tangier	sun 26
Barcelona	sun 26	Cape Town	sun 20	Edinburgh	shower 19	Jersey	fair 20	Munich	shower 23	Tel Aviv	sun 31
						Karachi	fair 32	Nairobi	fair 26	Tokyo	shower 28
						Kuwait	sun 48	Naples	thund 28	Toronto	fair 29
						L. Angeles	sun 27	Nassau	shower 32	Vancouver	fair 24
						Las Palmas	fair 29	New York	fair 30	Venice	shower 24
						Lima	cloudy 18	Nice	thund 27	Vienna	fair 24
						Lisbon	fair 25	Nicosia	sun 34	Warsaw	fair 26
						London	shower 22	Oslo	fair 24	Washington	sun 31
						Lux.bourg	thund 20	Paris	fair 22	Wellington	fair 10
						Lyon	thund 24	Perth	rain 18	Winnipeg	sun 24
						Madeira	fair 25	Prague	fair 25	Zurich	shower 21